



REFERENCE

MODERN

BOOK-KEEPING AND ACCOUNTS

# MANUALS OF COMMERCE

FREDK. HOOPER and JAMES GRAHAM

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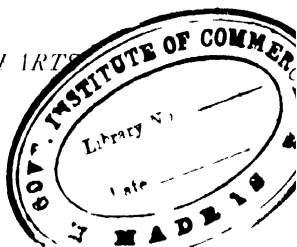
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# Modern Book-keeping and Accounts

*IN THREE PARTS*



BY

WILLIAM ADGIE, F.C.A.

**REFERENCE**

Part I: Elementary

MACMILLAN AND CO., LIMITED  
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## PREFACE

The value of a systematic study of Book keeping and Accounts as a part of any adequate scheme of Commercial Education, is now generally recognised. The chief difficulty in connection with the conveying of Instruction in this subject is that many Teachers, however skilled in the Art of Teaching, have not that *practical* acquaintance with this particular work which is gained by those who are engaged in the conduct of actual business operations.

During the past few years the writer has conducted Training classes for Teachers of this subject, under the Technical Instruction Department of the County Council of the West Riding of Yorkshire, and in these courses the special object has been to bring the Teachers to closer contact with real commercial transactions, and the proper mode of treatment in Books of Account. The present work, which is prepared from the lectures delivered, with the addition of new matter, is intended chiefly to be used as a Text-book in Schools and Evening Classes. The writer trusts that it may also be of use to the Clerk and to those who are interested in Accounts.

W. A

LEEDS, October, 1901

## INTRODUCTORY NOTE

This book is issued as part of our series of "Modern Manuals of Commerce." Our aim in producing this series is to provide books which while thoroughly educational, if regarded as a means of training of a specialist type, are at the same time practical in character and adapted for the use of commercial students and persons actually engaged in business.

In these manuals details are referred to general principles and there is throughout a sufficient working of problems to ensure that pupils shall have a *real* grasp of the subject.

In the present instance, the sole intention is to teach book-keeping and Accounts on educational lines and from a business point of view, there being no inclination towards a particular examination. We believe, however, that any student who has systematically worked through this book in its entirety will understand the theory and practice of book-keeping, and would be able to pass *any* examination in the subject, and be ready to qualify to undertake, or effectively supervise, the keeping of the books of account of any business house—the main principles of book-keeping being the same in every business situation occurring only in matters of detail.

Members of the teaching profession will notice (1) that the exercises are carefully graded so as to introduce the student systematically to the methods of correctly recording commercial transactions of gradually increasing complexity, (2) that each exercise is such as will admit of its being completed in class, or in the interval between class meetings, and (3) that the increase in length of exercise is uniform throughout—very important considerations in the class-room.

FREDK HOOPER,

*Secretary, Bradford Chamber of Commerce*

JAMES GRAHAM,

*Inspector for Commercial Subjects and Modern Languages to the West Riding County Council.*

**Part I (ELEMENTARY)** assumes on the part of the Student knowledge of Books of Account. It proceeds from the explanation of common terms, of the meaning of Transactions, and the simple forms, to an examination of the Theory of Double Entry, and to the practical application thereof in an ordinary set of books, leading up to the preparation of the Balance Sheet.

**Part II (INTERMEDIATE)** will include explanations of more complex transactions, including Bills of Exchange, Books of Limited Liability Companies, Partnership Accounts, and further examples of Trial Balances, Balance Sheets, &c., together with illustrations of approved modifications of the Sales, Purchase and Cash Books, and the sub-division of the Ledger.

**Part III (ADVANCED)** will contain special arrangements for the Trading Account, and will deal with Reserve Funds, Sinking Funds, Depreciation, Cost Accounts, Departmental and Branch Accounts, Sectional Balancing, &c., and also examples of specially arranged systems of Book-keeping for various businesses.

The following observations are intended simply to convey to the mind of a *young* Student of this subject some idea of the meaning of ordinary business operations, in order that the general terms and phrases to be met with may not be altogether strange to him.

For the purpose of carrying on any business, a person requires, in addition to the important qualifications of *skill*,



monetary value and which is called his CAPITAL. It is true that persons have commenced and carried to a successful issue business undertakings without being at the outset possessed of anything beyond the proverbial "half-crown!" In such cases the requisite money (or property) is provided by some other person and the Trader is said to commence with "*borrowed Capital*," but really the Capital belongs to the *lender*, and the Trader's capital is *nil*.

Take the simple example of a person who is the fortunate recipient of a legacy of £1,000, and who, having gained the requisite practical knowledge of some branch of Trade, decides to commence business on his own account. His first step will be to place the money in safety by handing it to a Banker, i.e., he *opens a Banking Account*. Next, he must provide himself with suitable *Business Premises* (Shop, Warehouse, &c.). He will either *purchase* the premises or take them at an annual *Rent*, thereby becoming the *Tenant*. In purchasing the premises he may either pay the whole price at once, *or* he may pay only a portion (say one-third) and *owe* the remainder. In the latter event he will pay an agreed rate of *Interest* on the remainder and will also give as security a document called a *Mortgage Deed*, which has the effect of enabling the person to whom the money is owing to sell the property to somebody else (in case the Trader is unable to repay the amount when it is due) and pay himself out of the proceeds.

Immediately the Trader begins to *occupy* the Premises, either *Owner* or *Tenant*, he becomes liable to the *local authority* (Municipal Corporation, or District or Urban Council, &c.) for *Rates*, and *Owner* he will become also liable for *Taxes*.

He will proceed to equip the premises with the necessary

then purchase the *commodities* in which he deals, described *Goods*. As a prudent man he should immediately protect himself against risk of *loss by Fire* by taking out a *Fire Insurance Policy* covering his Stock of Goods, Fixtures, &c. (If he is the Owner of the premises he will insure them also.)

By this time he will probably have found it necessary to engage the regular services of one or more assistants, and he thereby becomes responsible for their *Wages or Salaries*. He may call attention to his new venture by means of *advertisements*, and may engage persons, *Travellers*, to call upon probable *customers* with *samples* of the goods which he has for sale.

We are assuming that our *Trader* is a *Merchant*, i.e., that he buys and sells the goods in the same condition and does not *make or manufacture* articles. His trade may be *Wholesale*, i.e., supplying goods only to customers who will sell them again; it may be *Retail*, i.e., supplying goods direct to consumers. His trade may also be of *both* classes.

If he wishes to do business in a distant town, without incurring the expense of sending a *Traveller*, he may employ an *agent*—a person residing in that district who will sell goods for him and will charge, by way of remuneration, a percentage upon the total business done—called *Commission*.

Unfortunately it may be that goods are sold to a customer who *fails* to pay for them, and who becomes *insolvent*. In this case the trader will receive his share of whatever the customer's *estate* will realise (*dividend*), and the remainder is a *Bad Debt*, i.e., a loss.

At the end of six or twelve months the *Trader* will ascertain his financial position by *Taking Stock* and preparing a *Balance Sheet*, as explained in the following pages. At this date his

perations, such increase (apart from any *new* capital he may have introduced, or any sums he may have *withdrawn*) being *Nett Profit*. Conversely if his Capital has decreased (apart from sums withdrawn), such decrease is the *Nett Loss* for the period.

By keeping accurate accounts he will be able to ascertain the amount of his *Gross* and *Nett* profit (or loss) and to keep a check upon the working expenses of his business. He can discover if he is selling goods too cheaply, and also judge as to the advisability of launching out into fresh enterprises. Good book keeping will tend to facilitate the prompt collection of money due to him, and the punctual discharge of his liabilities, the husbanding of his resources and the regulation of his *private* expenditure in due proportion to the *earnings* of his business.

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# CHAPTER I

## DEFINITIONS AND FORMS

The Student is recommended to commence work with Chapter II, and to refer, as occasion may require, to the definitions and examples shown in this Chapter

*Assignment* A Transfer of Property from one person to another by means of a legal document or Deed The term usually refers to the case of a person who is unable to pay his debts, and who transfers all his property to his creditors, who are represented by a trustee who distributes the amount realised by the sale of such property

*Audit* An examination or scrutiny of books of account

*Bad Debt* Loss incurred by the failure of a person, firm, or company to pay twenty shillings in the £

*Bankrupt* An insolvent person whose affairs are wound up in the Bankruptcy Court by legal process

*Book keeping* The art of recording pecuniary transactions in a regular and systematic manner, the art of keeping accounts in such a manner as to give a permanent record of business transactions, from which the true state or history of one's pecuniary affairs or mercantile dealings may at any time be ascertained — *Century Dictionary*

*Broker* — An agent who negotiates on behalf of others the purchase or sale of property of any kind

*Business* Mercantile pursuits collectively, employment requiring knowledge of accounts and financial methods, the occupation of conducting trade or monetary transactions of an ordinary kind — *Century Dictionary*

*Commission* — Remuneration for services rendered, based upon a percentage of the amount of business transacted

*Consignment* — (1) The placing of goods in the hands of an agent for sale

(2) The despatch of goods to a Railway Company for delivery to the customer

*Demurrage* - A charge made by a Railway Company for delay of railway wagons beyond a stipulated time. The term is also applied to the charge for detention of a vessel.

*Depreciation* --The amount by which the value of an asset has decreased during any given period.

*Dividend* (1) The distribution to shareholders (at the rate of so much per cent. upon the shares) of the profit of a Company.

(2) Interest upon Government Stocks.

(3) The distribution to creditors of the assets of an insolvent person, firm, or Company, at the rate of so much in the £ upon their claims.

*Factor* - An agent who has in his possession goods for sale on behalf of other persons. The name is frequently used, however, by *merchants* dealing with their own goods.

*Firm* --Persons who have entered into partnership with one another are called collectively a "firm."

*Goodwill* --The estimated value of the probability of a continuance of dealings with customers of a trader. The value consists in the right to trade under a particular name or style.

*Gross Profit* - The surplus realised by the sale of an article after deducting the cost price of (a) the article, or (b) the raw material and cost of labour expended to produce the finished product.

*Insolvent* - The pecuniary condition of a person whose liabilities exceed his assets.

*Lease* --A legal document containing an agreement for the use of land or buildings for a fixed period.

*Limited Company* --An association of individuals formed in accordance with the Companies Acts, carrying on business, the liability of each person being limited to the amount unpaid in respect of the shares which he holds.

*Nett Profit* - The surplus remaining after deducting from the Gross Profit all expenses of the business.

*Premium* --(1) A payment to an Insurance Company for risk undertaken.

(2) A payment to an employer by his pupil.

(3) The excess of the market price of any stocks or shares.

*Principal* —A sum of money invested, lent, or borrowed (distinguished from the interest thereon)

*Revenue* —The nett surplus of earnings after deducting expenditure incurred in connection with the conduct of Trade operations

*Royalty* —(1) The annual sum payable to the owner for the right to extract minerals from his land

(2) The sum payable to the owner of a patent for permission to make use of his invention

*Voucher* —A document containing evidence of the payment of Cash or of the delivery of goods or property of any kind

## FORM OF ORDER BOOK FOR ORDERS ISSUED

Telegrams ' Wheels Chesterfield

Telephone No 1234

No 234

### ORDER

From WHEELS & BARNES,

Midland Works, Chesterfield

Date

1901

To M

(Address)

Please deliver the following goods —

.....

..

Signed

NOTE —No Goods to be supplied without a written Order An Invoice to be sent same day for all goods delivered

Tissue duplicates of this form are interleaved in the Order Book, and an entry of the Order is taken on the duplicate form by using a carbon



# FORM OF DELIVERY BOOK

Telegrams "Thistle Armley

## IRONFOUNDRY DEPARTMENT

Scotch Foundry, Armley,

Leeds, 1901

*Please receive from*

WILSONS & MATHIESENS, Limited,

\*and forward to

Mark

Carrriage Paid by

Tons	cwts	qrs	lbs

To

Signed

Received by

# INVOICE

Empress Foundry,

Leeds, 27th June, 1901

Messrs ALLENBURY, BOUGHTON & Co ,

Contractors, Northampton

*Bought of THE IMPERIAL FOUNDRY CO LTD*

		Weight			Price	£	s	d
		c	q	lb				
5	No 1 Baths, 5 ft 6in Japanned Sienna, with overflow				25/ ea	6	5	0
	Covers and Irons for ditto					2	0	0
0	Desk Standards, No 211	5	3	14	8/ cwt	2	7	0
2	Round Tables, fitted and bronzed				7/6 ea	4	10	0
5	No 70 Kitchen Mantles				9/- ea	2	14	0
2	24 x 30 Skylights				6/ ea		12	0
3	10 x 10 Gully grates and Frames		2	7	9/ cwt		5	1
						18	13	1
Per Mid Rly Carriage Paid Co's Risk								

# INVOICE

---

The Adelphi,

Liverpool, 28th June, 1901

Messrs BOIDERWOOD & SONS,

Manufacturing Confectioners,

York

*Bought of* GEO MANNERING & Co ,

Drysalters

---

Ten Casks Glucose —

Gross (lbs )

Tare (lbs )

705

46

708

46

695

46

680

45

694

46

686

45

708

47

691

45

694

46

690

46

---

6951

---

456

*Less Tare* 456

6495 = 57 cwt 3 qrs 27 lbs @ 8/ cwt £23 3 11

Ex ship charges, 4/11 ton 0 14 3

£23 18 2

---

# DEFINITIONS AND FORMS

## INVOICE (BROKER'S)

Mincing Lane,  
London, 21st March, 1901

Messrs EASTMAN & HALL,  
Birmingham

*Bought of ROSENCRANTZ & Co*

*Payment Cash, 21st April, 1901*

				£	s	d
Sixty Bags Cocoa —						
20 Bags	Cwts	qrs	lbs			
ex "Sirius" }	30	2	9			
Mark —	0	3	16 Tare			
Don Quixote }	29	2	21 @ 70/6 per cwt	104	12	1
40 Bags	68	3	27			
ex "Vega" }	1	3	4 Tare			
Mark	67	0	23 @ 65/ per cwt	218	8	
Filipino }						
Less discount, 2½%				323	1	
				8	1	
Add Brokerage, 1%				314	19	
				3	4	
				318	4	

EXPLANATION The 60 Bags Cocoa are bought by the Brokers (R & C) for their customers E & H, and are charged to the latter at cost plus 1% for brokerage. The names of the vessels from which the goods obtained are stated, and the distinctive marks on the bags. The gross weight of cocoa and bags is shown, less the Tare (or weight of bags alone) giving the nett weight charged for. The discount is allowable in the event of payment being made by 21st April, 1901.

## INVOICE

Wellington Street,  
Bristol, 31st May, 1901

Messrs RAYWOOD & Co LTD,  
Birmingham

*Bought of PONTIFF BROS*

				Cwt	qrs	lbs	Price	£	s	d
20 x 28 lbs Boxes				5	0	0	105/	26	5	0
Almonds nett										
x ss "Antelope" per Mid Rly										



## INVOICE

14, Golden Square,  
London, S E, 15th June, 1901

BRISCOE, NEWTON & Co

Invoice of 50 bags Sugar

Shipped per steamer "Bittern" to Hull

By order and for account of JOSEPH ADAMS & SONS, Leeds

Contract of 16th May, 1901, No 1780

50 Bags

Weighing nett cwts 97 2 4

@ 15/ per cwt, f o b £73 3 0

\* Less 2 @ 5% 12 2

Add Insurance, £80 @ 2/6 % 2 0

£72 12 10

\* NOTE —The terms are nett cash in two months or an allowance of interest  
pre payment at the rate of 5% per annum The 12s 2d represents two months intc  
at 5% per annum

## DEBIT NOTE

Date 3rd Jan, 1901

From BENHAM & BUTLER,  
17, Marlborough Street, Leicester

Please note that we have forwarded this day, per  
Mid Rly, 2 Empty Cases, @ 5/-

£	s	d
	10	0

Messrs Martland, Sons & Co,  
14, Westbourne Grove, London, W

When Goods (or Empties) are returned a *Debit Note* or "Advice"  
a fact should be sent by post same day by the person returning the

# CREDIT NOTE

14, Westbourne Grove,  
London, W, 4th Jan, 1901

MESSRS BENHAM & BUTLER,  
Leicester

*Credited by* MAITLAND, SONS & Co

	£	s	d
2 Cases returned	5/	10	0

Upon receipt of the Goods returned (or Empties) a *Credit Note* is sent to the person who has returned them

## LEDGER ACCOUNT

Dr BENHAM & BUTLER, 17 Marlborough Road, Leicester						Cr			2
		£	s	d		£	s	d	
1901					1901				
1	To Goods	47	56	18	10	Jan 4	By Empties	17	13
4	"	19	17	13	9	" 9	" Returns (4th)	7	0
9	"	52	28	14	11	" 22	" Empties	100	0
12	"	54	35	19	2	" 25	" Cash on a/c	5	14
16	"	57	38	12	9	" 28	" Empties	63	3
18	"	60	15	19	2	" 30	" Returns (16th)	6	7
	193 18 7					Feb 12	" Cash		
21		62	24	10	5	" 12	" Discount, 3%		
28		69	46	18	7		193 18 7		
30	"	73	18	10	8	" 14	" Empties	10	0
31	"	74	-	9	4	" 18	"	4	3
2	"	76	14	18	2	" 20	" Returns (Jan 28th)	14	15
4	"	79	18	19	5		" Cash	210	15
7	"	82	29	3	1	Mar 14	" Discount 3%	8	4
9	"	84	32	11	9	" 14			
12	"	88	19	15	4				
19	"	94	26	12	8				
	234 9 3								
22	"	97	18	12	11				
25	"	101	19	10	0				
27	"	102	7	14	2				
28	"	102	12	9	8				

In this example goods sold up to the 20th of each month are to be paid in the following month less 3% discount. When the two sides agree

*Counterfoil**Receipt*

<p>No</p>	<p>14, Westbourne Grove, London, W</p>	<p>1901</p>
<p>Received of</p>	<p>the sum of</p>	<p>Pounds      Shillings and</p>
<p>Price</p>	<p>For MAITLAND, SONS &amp; Co</p>	<p>(Signed),</p>
<p>Received by</p>	<p>Cash      Discount</p>	<p>Customers are requested to accept only this Authorised Form of Receipt no other will be recognised</p>
<p>is.</p>	<p>£</p>	<p></p>

# DEFINITIONS AND FORMS

## STATEMENT

Folio 27

14, Westbourne Grove,  
London, W , 31<sup>st</sup> Jan , 1901.

Messrs BENHAM & BUTLER,  
17, Marlborough Road, Leicester

*Dr to* MAITLAND, SONS & Co

		£	s	d	£	s	d
901							
1	To Goods				56	18	10
4	" "				17	13	
9	" "				28	14	11
12	" "				35	19	
16	" "				38	12	
18	" "				15	19	
					193	18	7
	CREDITS						
4	By Empties		10	0			
9	" Returns	17	13	9			
22	" Empties		7	6			
28	" "		3	0			
30	" Returns	5	14	3	24	8	6
					169	10	1
25	Cash on A/c				100	0	0
					69	10	1

This Statement is prepared from the Ledger up to the 20th of th  
th (for Goods sold), and showing all credits up to 31st of the month.



## SECTION A —THE THEORY

### CHAPTER II

#### DEFINITIONS— MEANING OF ACCOUNTS —EXAMPLE OF CASH ACCOUNT AND PERSONAL ACCOUNT

All business consists of exchanging one kind of property for another, including all articles which possess any exchangeable value

A *Transaction* is the name given to any such act of exchange

An *Account* is a record of one or more transactions, stated in such a manner as to exhibit the true effect of the transaction

*Book-keeping* is the art of arranging accounts in such a manner as to show the true result of all similar transactions and also to show the true result to the trader of *all his transactions*, whatever their nature may be

*Asset* is the term used to denote property belonging to the trader, and employed in connection with commercial transactions and includes Land, Buildings, Machinery, Furniture, Materials, Goods, Ships, Horses, Carts, Money in hand, Money owing to the trader by any person, Investments in Shares or Stocks, Patents, &c, &c

*Liability* is the term used to denote any sum which is owing by the trader to another person

*Capital* is the amount by which the total assets exceed the total liabilities

*Deficiency* is the amount by which the total liabilities exceed the total assets

*Profit* is the amount by which a trader's capital is increased as the result of a transaction or series of transactions with his customers

*Loss* is the amount by which a trader's capital is *decreased* as the result of a transaction or series of transactions with other persons during a given period

We will now take a few transactions, and see how they should be arranged in the form of an Account. The following transactions consist of the receipt and payment of cash, and the trader wishes to keep a record of the *changes* that take place in the "cash" portion of his assets

1901			£	s	d
Jan	1	The trader receives cash for goods sold	15	0	0
"	3	He pays Wm Arnold for goods bought	6	0	0
"	4	He pays for stamps		10	0
"	5	He receives cash for goods sold	14	0	0
"	5	He pays wages	7	0	0
"	5	He pays into his bank	10	0	0

#### CASH ACCOUNT

1901		<i>Receipts</i>	£	s	d	1901		<i>Payments</i>	£	s	d
Jan	1	Goods sold	15	0	0	Jan	3	Wm Arnold			
	5	" "	14	0	0			goods	6	0	0
							4	Stamps		10	0
							5	Wages		7	0
							"	Bank		10	0
										23	10
							5	Cash in hand		5	10
			£29	0	0					£29	0

The above Cash Account shows the trader that he has received £29 and paid £23 10s. Therefore the difference between these two sums, viz., £5 10s, must be the amount of money he has in hand on the 5th January, assuming that he has recorded *all* his cash transactions. This difference is first added to the smaller or "payments" side of the account in order to prove that the two sides of the account are now equal, the totals are inserted, and the "difference" or cash in hand will be entered again on the receipts side of the new Cash Account, signifying that the cash has received, and is responsible for, this amount, 5 10s, until further transactions take place (See p. 14.)

In using a pair of scales for weighing purposes, the two sides are said to "balance" when equal weights are placed on each side

cash in hand, £5 10s, the two sides are said to "balance" each other, and the amount, £5 10s, may be described as the amount required to balance the account, or, shorter, the "balance" of the account.

### CASH ACCOUNT

<b>1901</b>		<i>Receipts</i>	<b>£</b>	<b>s</b>	<b>d</b>	<b>1901</b>		<i>Payments</i>	<b>£</b>	<b>s</b>
<b>Jan</b>	<b>1</b>	<b>Goods sold</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>Jan</b>	<b>3</b>	<b>Wm Arnold</b>		
	<b>5</b>	" "	<b>14</b>	<b>0</b>	<b>0</b>			<b>goods</b>	<b>6</b>	<b>0</b>
							<b>4</b>	<b>Stamps</b>		<b>10</b>
							<b>5</b>	<b>Wages</b>	<b>7</b>	<b>0</b>
							<b>"</b>	<b>Bank</b>	<b>10</b>	<b>0</b>
									<b>23</b>	<b>10</b>
							<b>5</b>	<b>Balance carried down</b>	<b>5</b>	<b>10</b>
			<b>29</b>	<b>0</b>	<b>0</b>				<b>429</b>	<b>0</b>
<b>"</b>	<b>5</b>	<b>Balance brought down</b>	<b>45</b>	<b>10</b>	<b>0</b>					

In the last example the account employed showed to the trader the changes in one portion of his assets, viz, cash. In the following example we shall see the effect of a few transactions between the trader and another person (Wm Arnold), upon the relative positions of the trader and Wm Arnold.

		£	s	d
1901				
Jan 1	The trader buys goods from Wm Arnold, but does not pay for them	20	0	0
„ 3	He pays cash to Wm Arnold	6	0	0
„ 10	He pays cash to Wm Arnold	10	0	0
„ 12	Wm Arnold buys goods from the trader, but does not pay for them	15	0	0
„ 14	Wm Arnold pays cash to the trader	14	0	0

It will be observed that the above transactions may be divided into two kinds—

- (1) In which the trader receives property from Wm. Arnold.
- (2) In which Wm Arnold receives property from the trader.

(It may be that in these examples, viewed separately, the *act exchange* does not seem to be accomplished—e.g., on January 1st the trader receives goods, but does not deliver anything in return—in reality, he incurs liability to carry out his part of the trans-

# WM ARNOLD'S ACCOUNT WITH THE TRADER

	£	s	d		£	s
Jan 3 Cash	6	0	0	Jan 1 Goods	20	0
10 „	10	0	0	14 Cash	14	0
12 Goods	15	0	0			
	<hr/>					
	31	0	0			
14 Balance carried down	3	0	0			
	<hr/>					
	£34	0	0		34	0
					<hr/>	
				14 Balance brought down	£3	0

In the above account, as in example 1, the items of property received by *Wm Arnold* are shewn on the left-hand side, and the items received from him on the right-hand side. The difference between the two, £3, shews that the trader has received from *Wm Arnold* goods and cash to the amount of £3 more than *Wm Arnold* has received from him. The relative position of the two parties now is that the trader is indebted to *Wm Arnold* to the extent of £3.

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The exercises should be worked out on ruled paper, following closely the style of the examples given, and with due regard to neatness.

## EXERCISE 1

Prepare a Cash Account, showing the balance at 31st January, from the following particulars of Joseph Barrow's transactions:

1901		£	s	d
Jan 3	Received cash for goods	146	15	9
„ 5	Paid Wm Yates	132	17	6
„ 8	Received from Thos Watson	117	17	1
„ 14	Sold goods for cash	120	0	0
„ 16	Paid to bank	200	0	0
„ 19	Paid Benjm Booth & Sons	1	13	2
„ 23	Paid rent	50	0	0
„ 24	Received from Chas Dyson	19	11	8
„ 27	Paid Shaw & Co Ltd	15	10	6
„ 29	Sold goods for cash	36	10	0
„ 31	Paid wages	15	0	0

## EXERCISE 2

Prepare Chas Field's account with Fredk Hall from the following transactions, showing balance, if any, due to, or by, Chas Field -

1901		£	s	d
Jan 2	Hall sells goods to Field (not paid for)	15	14	6
„ 3	Field pays cash	10	0	0
„ 5	Hall sells goods to Field (not paid for)	25	16	3
„ 7	Field sells goods to Hall (not paid for)	17	15	5
„ 11	Field pays cash	15	10	0
„ 14	Hall buys goods from Field (not paid for)	36	14	8
„ 15	Hall pays cash	30	0	0
„ 18	Field buys goods from Hall (not paid for)	28	8	2
„ 28	Hall receives cash from Field	22	0	0
„ 28	Hall sells goods to Field (not paid for)	10	13	10
„ 31	Field pays cash	5	0	0

## CHAPTER III

### EFFECT OF A TRANSACTION—EXCHANGEABLE VALUE— PRINCIPLE OF DOUBLE ENTRY

It is important that the student should from the beginning of his work be guided by an appreciation of the *fact* upon which the only principle of good book-keeping is based, and that he should not be content to follow mere forms and rules as a matter of routine. It is only by adopting the former course that he can place himself in a position to deal intelligently with all transactions which may occur. Therefore the principle or theory of Double Entry will be explained at this stage.

In the preceding chapter a transaction is defined as being 'any act of exchange of value,' we must now examine the definition and obtain a fuller idea of its meaning. Exchangeable value in this connection must be understood to include - -

Class 1 - Articles or property of an actual tangible nature such as Land, Buildings, Machinery, Raw Materials, Manufactured Goods, Ships, Shares or Stocks, Horses, Cash, &c, &c

Class 2 - The value of the *use* of any article or property for a limited period. Examples - A trader becomes tenant of a factory at an annual rent of £200. In this case the "rent" is the term used to express the value of the use of the property. A trader borrows £500 from a banker at  $5\frac{1}{2}\%$  per annum interest. In this case the "interest" is the term used to express the value of the use of the money.

Class 3 - Labour or services rendered by one person to another. Examples - A manufacturer employs a workman at weekly wages; in this case the "wages" is the term used to express the value of the use of the workman's time, skill, and energy. A manufacturer in Leeds employs an agent in London to sell his manufactured products, and pays the agent a remuneration, called a "commission." In this case the "commission" is the term used to express the value of the services rendered by the agent.

The following are examples of transactions involving changes of value belonging to each of these classes --

*A* John Green sells goods, £50, for cash

This is an exchange of one article of an actual tangible nature (Class 1) for another article of a tangible nature (Class 1) Effect J G's cash increased £50 and his goods are decreased £50

*B* John Green pays £20 for rent of warehouse

This is an exchange of an article (Class 1), cash for value (Class 2, viz, use of warehouse) Effect J G receives use of warehouse as described as "rent" and his cash is decreased £20

*C* John Green pays his workman's wages, £5

This is an exchange of an article (Class 1), viz, cash, for value (Class 2, viz, use of workman's time labour, &c) Effect J G receives use of workman's time and labour, value described as wages, £5, and his cash decreased £5

*D* John Green lends a room in his warehouse for a week, and receives £1 10s for the loan

This is an exchange of value (Class 2) viz use of room, for an article (Class 1), viz cash Effect J G's cash is increased £1 10s, and he parts with the use of his room, value (called rent) £1 10s

*E* John Green borrows a horse and cart for a week from Geo Bush and in return he obtains a customer who will buy certain goods from Geo Bush. This is an exchange of value (Class 3), viz, services rendered for value (Class 2), viz, use of horse and cart Effect J G receives use of horse and cart, value (called horse hire) £1, and he parts with the benefit of the services, value (called commission) £1

*F* John Green buys goods from Chas Ward, £10, and does not pay for them This is a transaction in which the completion of the exchange is postponed Effect J G's goods are increased £10, and Chas Ward allows the payment to be deferred Ward "trusts" Green, 'believes' that he will pay for the goods, and is therefore willing to remain his 'creditor' (to believe) until the equivalent value is paid by Green Conversely, as long as Green owes the money, Green is "indebted" to, or "debtor" to, Ward (debere to owe)

*G* John Green sells goods to Thos Hardy, £25, and Hardy does not pay for them

This is a transaction in which the completion of the exchange is postponed Effect Green's goods are decreased £25, and he allows the payment to be deferred, he "trusts" Hardy, who becomes "debtor" to Green until the equivalent cash is paid to Green Conversely, as long as Hardy owes the money, Green remains his "creditor"

By careful examination of the above transactions the student will observe that in every instance *two results follow, or, the*

, *B, C, D, E*, it is clear that *value is received and value is parted with* to equal amounts. In the examples *F* and *G* we still find the same results—

*F*—Green receives value and Ward becomes his creditor

*G*—Hardy becomes his debtor and Green parts with value

We therefore find that *all* the transactions have the following results

Value is received by Green  
or  
person becomes debtor to Green } and { Value is parted with by Green  
or  
A person becomes Creditor of Green

Let us arrange the results of the foregoing transactions by collecting the records into the form of accounts

It is clear that each transaction affects the trader John Green, therefore we will first deal with

### JOHN GREEN'S ACCOUNT

<i>Value received</i>	£	s	d		<i>Value parted with</i>	£	s	d
Cash (from goods)	50	0	0	A	Goods (to cash)	50	0	
Rent (from cash)	20	0	0	B	Cash (to rent)	20	0	
Wages (from cash)	5	0	0	C	Cash (to wages)	5	0	
Cash (from rent)	1	10	0	D	Rent (to cash)	1	10	
Horse hire	1	0	0	E	Commission	1	0	
Goods from Ward	10	0	0	F				
				G	Goods to Hardy	25	0	
	£87	10	0			£102	10	0

### CHAS WARD'S ACCOUNT

<i>Value received</i>	£	s	d		<i>Value parted with</i>	£	s	d
				(Goods		10	0	0
					(Ward is creditor)			

### THOS HARDY'S ACCOUNT

<i>Value received</i>	£	s	d		<i>Value parted with</i>	£	s	d
Goods	25	0	0					
(Hardy is debtor)								

The total money value represented by the seven transactions is £112 10s. 0d, and we see that this sum has been stated in the three accounts *twice*, or that value to the extent of



We have now recorded John Green's transactions according to the double entry principle, which is nothing else than the recognition of the fact that *each transaction has a two-fold effect*.

John Green's account informs us that he has received value to the amount of £15 less than he has parted with. This information, though perfectly correct, is not of itself sufficient. An inspection of the account will quickly show that the value received is made up partly by real tangible property, such as cash and goods, but that no tangible assets exist to represent the other values, rent, wages, and horse-hire. The values parted with, are also seen to consist partly of actual property, goods, and cash, but that no tangible property has been parted with representing rent or commission. It is necessary, therefore, that this account shall be divided up, not only to distinguish between the various kinds of property received or parted with, but also to show the items for which *no actual property* has been received or parted with. We shall call the latter "*nominal values*."

#### JOHN GREEN'S CASH ACCOUNT

<i>Value received</i>	£	s	d	<i>Value parted with</i>	£	s	d
In exchange for goods	50	0	0	In exchange for rent	20	0	0
" " rent	1	10	0	" " wages	5	0	0
	£51	10	0		£25	0	0

#### JOHN GREEN'S GOODS ACCOUNT

<i>Value received</i>	£	s	d	<i>Value parted with</i>	£	s	d
From Ward	10	0	0	In exchange for cash	50	0	0
				To Hardy	25	0	0
					£75	0	0

#### JOHN GREEN'S ACCOUNT OF NOMINAL VALUES RECEIVED AND PARTED WITH

<i>Value received</i>	£	s	d	<i>Value parted with</i>	£	s	d
Rent	20	0	0	Rent	1	10	0
Wages	5	0	0	Commission	1	0	0
Horse-hire	1	0	0				
	£26	0	0		£2	10	0

The first two accounts represent transactions of the different portions of the property which John Green is employing in his business. The third account represents the transactions in which only a nominal (not an actual) value is received or parted with by John Green.

The accounts of actual property, such as cash and goods, are called *real accounts*.

The accounts of values which are represented by no tangible asset, such as rent, wages, &c., are *nominal accounts*.

The accounts of transactions with persons are *personal accounts*.

Let us now go back a little and suppose that John Green commenced his business with a stock of goods value £40. In order to grasp the position we must look upon John Green's business as an affair *quite apart from John Green himself*. John Green might carry on a business in Leeds, and he might be partner in two or three other distinct businesses in Birmingham, London, &c. In the latter case it is easy to think of him as a person *apart* from the Birmingham or London firm, so we must think of him as a person distinct from the business which belongs to him, even though it may be *the only* business in which he is interested.

When Green commences this business the first thing that happens is this.—He entrusts to it his stock of goods, £40. The business does not pay him for these goods. The business has no cash or property of any kind at the moment of its commencement, save the stock, £40, which it receives. What happened in the case of the transaction with Chas. Ward happens here. John Green “trusts” his business with the stock, he becomes the “creditor” of the business, and the “goods” portion of the business becomes indebted to him, or “debtor” for the value of stock received, £40. When the Goods Account parts with some of its goods, and another portion of the business receives the value thereof, such as Cash Account, £50, of course the Goods Account is no longer indebted for that sum, and the entry now made in the Goods Account is a *creditor* entry, goods becoming “creditor” of another portion of the property, viz., *Cash Account*. Conversely *Cash Account*, receiving value from the Goods Account is indebted or *debtor* to that account for such

Also when the Cash Account parts with value, the equivalent being received by the business in a nominal shape, such as rent or wages, the *Nominal Account* is indebted to the Cash Account (or debtor) for such value, and the Cash Account must be debited, and becomes creditor for the amount which it pays.

When the Cash Account receives value, the equivalent being a nominal value (e.g., rent), given out by the business, then the Cash Account is indebted (debtor) to the Nominal Account for such value, and the Nominal Account having parted with value must be credited, and becomes creditor.

We have already seen that each transaction has a two-fold effect, we may now put this in the form of a statement of the principle of Double Entry --

*In each transaction an account (personal, real, or nominal) is debited to an account (personal, real, or nominal), which thereby becomes creditor, for equal amounts.*

The following is a statement of the transactions of John Green, showing which accounts are affected in each case --

Goods Account	debtor, £40	To John Green—creditor, £40
Stock at commencement		

Cash Account—debtor, £50	To Goods Account—creditor, £50
Goods sold for cash	

Nominal Account	debtor, £20	To Cash Account—creditor, £20
Cash payment for rent		

Nominal Account—debtor, £5	To Cash Account—creditor, £5
Workman's wages paid	

Cash Account—debtor, £1 10s	To Nominal Account—creditor, £1 10s
Cash received for rent	

Nominal Account—debtor, £1	To Nominal Account—£1.
Horse hire exchanged for commission	

Goods Account—debtor, £10	To Chas Ward, £10
Goods bought on credit	

Thomas Hardy—debtor, £25	To Goods Account, £25.
Goods sold on credit.	

Write out a statement of the following transactions, showing which accounts are debtor and creditor respectively, as on page 22 -

### EXERCISE 3

1901		£	s	d
Feb 1	Chas. Hill commences business with cash	100	0	0
, 4	He buys goods for cash	44	16	8
, 7	He sells goods to A. Shaw & Co	17	14	3
, 8	He buys goods from Thos. Thorner	36	17	11
, 11	He receives cash from A. Shaw & Co	10	0	0
, 16	He sells goods for cash	11	16	11
, 22	He buys goods for cash	20	0	0
, 25	He pays cash to Thos. Thorner	25	0	0
, 26	He buys goods from Simpson Bros	17	13	2
, 28	He pays cash for wages	7	0	0
, 28	He pays cash for rent	5	10	0
, 28	He pays cash to B. Craig for selling goods	2	0	0

### EXERCISE 4

1901		£	s	d
Mar 1	Henry Bourne commences business with a stock of goods	50	0	0
	and cash	20	0	0
, 2	He sells goods to Stevenson & Son	10	14	9
, 5	He buys goods from Fletcher & Co	15	10	6
, 7	He sells goods for cash	4	10	3
, 9	He pays cash to Fletcher & Co	15	10	6
, 11	He receives cash from Stevenson & Son	7	0	0
, 12	He lends to Jonas Sedgwick cash	2	0	0
, 14	He buys goods for cash	4	10	0
, 16	He pays cash - wages	2	14	6
, 19	He buys goods from Stevenson & Son	4	11	3
, 23	He sells goods for cash	6	10	6
, 27	Jonas Sedgwick repays cash	2	0	0
, 30	He pays cash for rent	5	0	0

## CHAPTER IV

### APPLICATION OF PRINCIPLE OF DOUBLE ENTRY— ORIGINAL ENTRIES THE JOURNAL

Having obtained from a study of the two preceding chapters some insight into the meaning and effect of business transactions the student now proceeds to make acquaintance with the book in which transactions are to be recorded.

The term "Double Entry" Book-keeping is rather a misleading one, but having attained such wide recognition and adoption, must be of necessity retained in default of a better one. It is misleading in the sense that it conveys a *wrong idea*, an idea of *double entering*, or a *duplication* of work. In former times and in the instructions given by old text-books, this double entering was common enough, but it has now been superseded by the improvements which have taken place in book-keeping in modern times. But though the older and more cumbrous method of Double Entry have been abandoned, the *principle* remains and must be adopted in all book keeping which can claim to be complete. The student must remember that as businesses differ from each other so vastly both in their general descriptive character, and requirements, and in their number of transactions, it is impossible to provide a *system* or set of books which will be the *most* suitable to *every* kind of business, and which will exactly meet *all* the needs of *all* commercial undertakings. A system of books used in a newspaper office would to a very large extent be quite unsuited to an ironfounder, and a machine-maker would require a system very different from that of a corn factor. Whilst this is true, all good book-keeping must have the double entry principle as its foundation, and for that reason in every business, of whatever character or size, one *book* is essential, the *ledger*. This is the book which contains *all* the accounts, showing the debtor and creditor results of every transaction. If it is possible in a business to reduce the number of books to one, the

can this be done, however. It must be understood that we are dealing at present with the ordinary general run of business and not with special cases.

It is of the greatest importance that a record should be made of each transaction immediately it occurs. Obviously, if the making of the record is postponed the chances of error are considerably increased.

The book in which this first record is made is technically described as a "Book of Original Entry." From this book the accounts are properly entered in the Ledger, it being as a general rule inconvenient to make the original entry directly in the ledger itself.

The old merchants and traders used to make an entry of all their dealings, of all kinds, at the time when the transaction took place, in a book, which then became a chronological history of all their business doings. It was a rough sort of book, kept by their hand ready for the jotting down of the dealings as they occurred, and so acquired the name of "Waste Book." It has now almost entirely dropped out of use, and we shall not require its assistance. It very frequently happens that transactions of different kinds are taking place at the same moment, such as buying and selling goods, receiving and paying cash, &c., &c., and this renders it necessary to divide the Book of Original Entry into two or more separate books, each containing the original entries of distinct kinds of transactions, buying, selling, &c., &c. But at this early stage we will assume that *all* the original entries can be made conveniently in one book, and the technical name of it is the *Journal* (diurnal or daily records).

### TRANSACTION

1901		£	s	d
April 3	Joseph Shaw buys goods from Wm Thompson	10	0	0

As we have seen on page 19, this means that in Shaw's accounts the Goods account is *debtor* to Wm Thompson, *creditor* for £10 for goods bought of him.

The original entry to be made of this transaction is simply the above statement, written in the Journal in the following form —

1901.			£	s	d	£	s	d
April	Goods Account	Dr	10	0	0			
	To Wm Thompson*					10	0	0
	for goods bought of him							

Before making a Journal entry the student should *think* of the *meaning* of the transaction, asking himself "who," "what person" or "which account," has *received* any value, to find the debtor, and "which person" or "which account" has *parted with* any value, to find the creditor

The following are simple examples of Journal entries —

### JOURNAL

DATE	ENTRY	Lg Folio	DR Amounts			CR Amounts		
			£	s	d	£	s	d
1901								
Apl 3	Goods Account <i>Dr</i> To Wm Thompson For Goods bought of him		10	0	0	10	0	0
4	Robert Elgie & Co <i>Dr</i> To Goods Account For Goods sold to them		25	14	9	25	14	9
5	Wm Thompson <i>Dr</i> To Cash Account For Cash paid to him		5	10	0	5	10	0
6	Cash Account <i>Dr</i> To Robert Elgie & Co For cash paid by them		15	0	0	15	0	0
			56	4	9	56	4	9

It will be observed that the Journal entry is not a mere memorandum of the transactions, but it is a *statement of the two-fold effect*, showing clearly which account is debtor and which account is creditor

The Journal contains a column for the date (month and day), a column for the entry, a column for the Ledger page or folio containing the account into which each item is to be gathered "posted" (this will be explained later), a money column for a debtor amount, a money column for the creditor amount. The operation of making an entry in the Journal is called "journalising." The points to be noticed in connection with

The account which is to be debtor is *to be stated first*, followed by the abbreviation "Dr" at the end of the line

The account which is to be creditor is to be stated immediately afterwards, prefixed by the word "To"

Then follows the explanation of the entry, with full details if necessary. This explanation should show what the entry means, without necessity for reference to any other source of information. The term used to denote this explanation is "narration"

Rule a line across the entry column, so as to distinctly separate the entries from each other

Add up each money column at the foot of the page, the Dr and Cr totals should agree

The Journal entries of the following transactions of David Newman are shown on page 28 —

1901		£	s	d.
March 1	David Newman commenced business with cash	500	0	0
" 4	Bought 50 tons iron at £6 from Sharp & Sharp	300	0	0
" 5	Sold 10 tons @ £6 10s for cash	65	0	0
" 8	Sold to Richards & Co 30 tons @ £6 11s	196	10	0
" 11	Paid Sharp & Sharp cash	300	0	0
" 13	Bought for cash 10 tons @ £5 18s	59	0	0
" 18	Sold Waring & Son 20 tons @ £6 6s	126	0	0
" 28	David Newman withdrew from business, cash	20	0	0
" 30	Paid for rent, cash	10	0	0
" 30	Paid for wages	5	0	0
		£1,581	10	0

NOTE — The transaction on March 28th means that David Newman receives cash from the business's cash, and its effect is the reverse of the transaction on March 1st. David Newman *receives*, and is debtor £20 cash Account *pays*, and is creditor £20

On March 30th there are two payments of cash for rent and wages. In the previous chapter these items were placed together in one Nominal Account; instead of doing so, in practice a separate Nominal Account is opened for each class of expenditure representing no actual tangible (or *real*) value, and headed "Rent Account," "Wages Account," or whatever the nature of the item may be

When, as in this case, there are two or more items debtor to the same



## JOURNAL

1901					£	s	d	£	s	d
Mar	1	Cash Account	Dr	1	500	0	0			
		To David Newman		5				500	0	
		For Cash brought into Business								
		by him at commencement								
	4	Goods Account	Dr	2	300	0	0			
		To Sharp & Sharp		6				300	0	
		For 50 tons Iron @ £6, bought of								
		them								
	5	Cash Account	Dr	1	65	0	0			
		To Goods Account		2				65	0	
		For 10 tons Iron @ £6 10s, sold								
		for Cash								
	8	Richards & Co	Dr	7	196	10	0			
		To Goods Account		2				196	10	0
		For 30 tons Iron @ £6 11s sold								
		to them								
	11	Sharp & Sharp	Dr	6	300	0	0			
		To Cash Account		1				300	0	0
		For Cash paid to them								
	13	Goods Account	Dr	2	59	0	0			
		To Cash Account		1				59	0	0
		For 10 tons Iron @ £5 18s								
		bought for Cash								
	15	Waring & Son	Dr	8	126	0	0			
		To Goods Account		2				126	0	0
		For 20 tons Iron @ £6 6s, sold								
		to them								
	28	David Newman	Dr	5	20	0	0			
		To Cash Account		1				20	0	0
		For Cash paid to him								
	30	Rent Account	Dr	3	10	0	0			
		Wages Account	"	4	5	0	0			
		To Cash Account		1				15	0	0
		For Cash paid								
					1581	10	0	1581	10	0

## EXERCISE 5

Journalise the following transactions of Robert Gibson

1901		£	s	d
March 1	Robert Gibson commences business with goods and cash	153	19	6
„ 5	Bought goods for cash	38	10	0
„ 8	Sold goods to the Stores Ltd	99	15	3
„ 12	Sold goods for cash	15	13	2
„ 14	Lent George Birdsall	5	0	0
„ 16	Bought stationery (for office) for cash	2	10	0
„ 18	Sold goods to Alfred Owen & Sons	10	11	6
„ 20	Bought goods from Phillips & Co	49	10	8
„ 22	Bought goods from the Stores, Ltd	3	10	8
„ 22	Bought goods for cash	4	0	0
„ 25	Sold goods to Watson & James	59	16	10
„ 25	Sold goods for cash	3	15	0
„ 28	Paid cash for advertising	2	0	0
„ 29	Received from Geo Birdsall, goods	4	10	0
„ 29	„ „ cash	10	0	0
„ 30	Paid rent, £5, and wages, £6	11	0	0

## EXERCISE 6

Journalise the following transactions of Benjamin Holdsworth, making necessary calculations, and state the money values in each case —

1901		£	s	d
March 1	Benjamin Holdsworth commenced business with 1,200 yards cloth, value 3/ per yard, and cash, £25			
„ 6	Sold 100 yds cloth @ 3/6 per yd for cash			
„ 9	Sold Williamson & Co 250 yds cloth @ 3/4			
„ 12	Paid for trade expenses	5	0	0
„ 15	Received from Williamson & Co, cash	20	0	0
„ 18	Sold J Innes & Co 400 yds cloth @ 3/3			
„ 23	Benjamin Holdsworth withdraws cash	10	0	0
„ 25	Bought of the Manufacturing Co Ltd 60 yds @ 2/9			
„ 27	Paid for rent	3	10	0
„ 29	Received from J Innes & Co, cash	65	0	0
„ 30	Benjamin Holdsworth takes out of business			



"To post" means to write an entry of a transaction in the Ledger. Ledger entries are often referred to as "postings."

The Ledger must contain all the accounts of the business, and these accounts are as stated on page 21, divisible into three groups, viz. —

\*Real Accounts

\*Nominal Accounts

Personal Accounts

We will deal with a Real Account, viz., Cash Account as an example of posting Ledger Accounts.

Turning to the Journal entries on page 28, representing the transactions of David Newman, we find the first account referred to is "Cash." We will now "open" a Cash Account in the Ledger, and "post" all the cash items.

### CASH ACCOUNT

Dr				Cr			
1901			£ s d	1901			£ s d
Mch 1	To David Newman	1	500 0 0	Mch 11	By Sharp and Sharp	1	300 0 0
5	„ Goods	1	65 0 0	13	„ Goods	1	59 0 0
				28	„ David Newman	1	20 0 0
				30	„ Rent	1	10 0 0
				30	„ Wages	1	5 0 0
				30	„ Balance carried down		171 0 0
			565 0 0				565 0 0
Mch 30	To Balance brought down		171 0 0				

The abbreviations Dr and Cr on the debit and credit sides, coupled with the words To and By, are used to indicate that the account is *indebted to* the accounts from which it receives value, and *credited by* the accounts to which it delivers value.

All the transactions in which cash is debtor are entered or posted from the *first* (or debtor) money column in the Journal on the left-hand side, or debit side, of the Cash Account in the Ledger. the page (folio) of the Journal—viz., 1—being written in

the space provided for that purpose in the Ledger. Converse Cash Account being on page 1 in the Ledger, that page (folio) written in the space provided in the Journal. This inserting folios should not be neglected, not only does it facilitate reference from one book to another, but it helps to prevent omissions in posting.

All the items in which "Cash" is creditor are *entered or posted* from the second or credit money column in the Journal to the right hand side or credit side of the Cash Account in the Ledger. The Journal folio being written in the Ledger, and the Ledger folio being written in the Journal, opposite every item.

The Cash Account is added up and the balance, as explained in Chapter II, is carried down.

The transverse line is drawn across the blank space in the debtor side of the account in order to prevent any possibility of a future entry being made in error in that space, *after* the total is inserted.

We have now in this account a clear statement of all transactions in cash, showing that the business should possess at the end of the month a sum of £171 in cash.

The Ledger now given contains, first, the remaining Reaccount—viz, Goods; secondly, the Nominal Accounts—Rent and Wages; thirdly, the Personal Accounts—David Newman, Sharp & Sharp, Richards & Co, Waring & Son.

Dr		GOODS ACCOUNT								Cr		2
1901		J	£	s	d	1901		J	£	s	d	
Mar 4	To Sharp & Sharp	1	300	0	0	Mar 5	By Cash	1	65	0	0	
13	„ Cash	1	59	0	0	8	„ Richards & Co	1	196	10	0	
						15	„ Waring & Son	1	126	0	0	
<hr/>												
Dr		RENT ACCOUNT								Cr		3
1901		J	£	s	d							
Mar 30	To Cash	1	10	0	0							
<hr/>												
Dr		WAGES ACCOUNT								Cr		4
1901		J	£	s	d							
Mar 30	To Cash	1	5	0	0							

5	Dr	DAVID NEWMAN CAPITAL ACCOUNT										Cr
1901			J	£	s	d	1901		J	£	s	
Mar 28	To Cash	1	20	0	0	Mar 1	By Cash	1	500	0	0	

NOTE.—The "Capital Account" is the Account showing the position of the Proprietor in relation to the Business

6	Dr	SHARP & SHARP, 1, Market Place Dullington										Cr
1901			J	£	s	d	1901		J	£	s	
Mar 11	To Cash	1	300	0	0	Mar 4	By Goods	1	300	0	0	

7	Dr	RICHARDS & CO 14, Queens Road, Portsmouth										Cr
1901			J	£	s	d						
Jan 8	To Goods	1	196	10	0							

8	Dr	WARING & SON, Albion Works Birkenhead										Cr
1901			J	£	s	d						
Mar 15	To Goods	1	126	0	0							

Each of the above accounts is supposed to have a separate or folio allotted to it in the Ledger

The Ledger now contains a classified record of all transactions

In the next chapter we shall see what further use is made of these accounts, and how they are finally dealt with at the end of any given period of trading. It is important that at this point the student should have obtained a clear idea of the original entries (Journal), and how they are arranged and collected in concise form (Ledger)

## EXERCISE 7

Journalise the following transaction of Hugh Bayliss, post to the ledger, balance the Cash Account —

1901		£	s	d
April 1	Hugh Bayliss commenced business with a stock of goods	10	15	9
„ 3	Sold goods for cash	3	10	0
„ 6	*Paid rent	10	0	
„ 10	Bought goods from Duncan & Sons, 1, John Street, Derby	5	16	9
„ 11	Sold goods to Vasey & Co, 29, Wood Street, Northampton	4	11	8
„ 13	Sold goods for cash	4	17	6
„ 13	Paid rent	10	0	
„ 16	Paid Duncan & Sons cash	3	0	0
„ 16	Sold goods to Duncan & Sons	2	16	9
„ 18	Bought goods from Vasey & Co	2	0	0
„ 20	Paid rent	10	0	
„ 24	Sold goods for cash	4	14	4
„ 24	Received cash from Vasey & Co	2	11	8
„ 27	Paid rent	10	0	
„ 30	*Paid cash for sundry trade expenses	2	0	0

\*Rent and trade expenses may be included in *one* nominal account, 'Expenses account'

## EXERCISE 8

Journalise the following transactions of Frank Harwood, post to the ledger, balance the Cash Account and the Personal Accounts —

1901		£	s	d
April 1	Received cash on loan from Samuel Lawson	1,200	0	0
„ 4	Bought goods from Marks & Co	1,050	0	0
„ 6	Paid Marks & Co	1,050	0	0
„ 9	Sold goods for cash	720	0	0
„ 11	Sold goods to Piper Bros & Co	385	0	0
„ 14	Received cash from Piper Bros & Co	285	0	0
„ 16	Paid Samuel Lawson	1,000	0	0
„ 16	Sold goods to Samuel Lawson	40	0	0
„ 23	Bought goods from Samuel Lawson	50	0	0
„ 26	Sold goods for cash	100	0	0
„ 26	Paid cash to Samuel Lawson	100	0	0
„ 27	Bought goods from Thoresby & Son	340	0	0
„ 27	Sold goods to Stamford Bros	465	0	0
„ 27	Received cash from Stamford Bros	350	0	0
„ 30	Paid cash to Samuel Lawson	110	0	0

## CHAPTER VI

### BALANCING THE TRIAL BALANCE

Book-keeping is intended to show the trader the true result of his transactions at the end of any stated period of trading at the end of such a period, which is usually six or twelve months. The trader wishes to know the exact position of his business, and whether his transactions have resulted in a profit or a loss. We will now explain how this object is attained. Let us suppose that David Newman, whose transactions appear in Chapter V, wishes at the end of March to ascertain the result of his trading during the month. Two things must be done—

1. Take stock
2. Balance the Ledger

It is very seldom practicable to perform both these functions on the same day, but a list of the goods on hand at the close of the business on the last day of the period, in this case 30th March, could be prepared without any delay in order to avoid error. The subject of Stock-taking will be referred to later. We will assume that goods costing £10 are in hand on 30th March, and proceed at once to the second step—the balancing of the Ledger.

All the transactions have been recorded in the book of original entry (the Journal), all the entries in the Journal have been posted to the Ledger, and these entries comprise an equal amount of money, of debtor and creditor items. This means that our Ledger, as a whole, contains equal amounts on each side of the accounts, *if the postings have been made correctly*. In order to find out *if* the two sides of the Ledger Accounts *do* agree, a list of all the balances appearing in these accounts is prepared, called the *Trial Balance*.

The following list, or Trial Balance, is written out on a loose sheet of paper, and must not be considered as being an *account* of



# DAVID NEWMAN TRIAL BALANCE (30th March, 1901)

Ledger Folio	Name of Account	Dr Balance			Cr Balance	
		£	s	d	£	s
1	Cash	171	0	0		
2	Goods				28	10
3	Rent	10	0	0		
4	Wages	5	0	0		
5	David Newman, Capital Account				480	0
7	Richards & Co	196	10	0		
8	Waring & Son	126	0	0		
		508	10	0	508	10

To understand this the student should now refer to the Ledger (pages 34, 32, 33) In preparing the Trial Balance, each account must be examined

Ledger Folio 1—Cash Account—The debit side exceeds the credit side by £171, which amount is therefore a Debtor Balance and is inserted in the Trial Balance

Ledger Folio 2—Goods Account—This account should not be added in ink at present, but the totals of each side are ascertained (pencilled in if necessary) to be Dr £359 and Cr £387 10s. The Cr side exceeds the Dr side by £28 10s, which amount is therefore a Credit Balance, and is inserted in the Trial Balance

Ledger Folio 3—Rent Account - Dr total, £10, Cr total, nil. Debtor Balance, £10, inserted in Trial Balance

Ledger Folio 4—Wages Account—Dr total, £5, Cr total, nil. Debtor Balance, £5, inserted in Trial Balance

Ledger Folio 5—David Newman, Capital Account—Dr total, £20, Cr total, £500. Credit Balance, £480, inserted in Trial Balance

Ledger Folio 6—Sharp & Sharp—Dr and Cr totals are equal. No balance

Ledger Folio 7—Richards & Co—Dr total, £196 10s.; Cr total, nil. Debtor Balance, £196 10s, inserted in Trial Balance

Ledger Folio 8—Waring & Son—Dr. total, £126; Cr. total,

All the Ledger Accounts having been examined, and the balances written on the Trial Balance, the Dr and Cr columns of the latter are added up, and the totals are found to agree with each other. This *must* be the result if *equal amounts* have been posted to each side of the Ledger, and in ascertaining the balances *equal amounts* have been omitted on each side. The Trial Balance is a useful preliminary step towards the completion of the book-keeping for a given period. It is important that the student should understand that it must not be regarded as an absolute check upon the accuracy of the book-keeping. It will be sufficient at present to point out that the Trial Balance will *not* reveal the following errors —

Posting an amount to the *wrong account* in the Ledger

Omitting to post *two* equal amounts to the Dr and Cr sides of the Ledger

The Trial Balance occasionally is found *not* to agree in totals of balances, this disagreement, or “difference,” may be caused by

Posting a wrong amount to the Ledger, such as £23 6s 0d instead of £20 3s 6d

Omitting to post an amount

Writing down Ledger Balance wrongly

Omitting the balance of an account from the Trial Balance

Posting an amount to the wrong side of the Ledger Account

Any “difference” should be searched for by comparing all the entries or postings until it is discovered, and the Trial Balance corrected.

We must now go back to the Goods Account, and deal with the stock of goods on hand. The Goods Account, as it now stands in the Ledger, shows us that this account has *received* value to the amount of £359, and that it has *parted with* value to the amount of £387 10s 0d. We also know, by inspection of the goods unsold on hand, that this portion of the business possesses a stock to the value of £10. What happens is this: a Trader's business will *recommence* its operations *on the day following* the end of the period now under consideration, viz., the 31st of March, and of course it will possess in “goods” this ~~in value~~ £10. The business's Goods Account for the month



## EXERCISE 9

Journalise the following transactions, post to Ledger, and prepare Trial Balance at 30th April, 1901

1901		£	s	d
April 1	Arthur Robson commences business with cash, £300, and goods	100	0	0
„ 4	Sold goods for cash	40	0	0
„ 5	Bought goods from Richard Armstrong	125	0	0
„ 10	Sold goods to Harrison & Wells	280	0	0
„ 12	Bought goods from Evered Bros	142	0	0
„ 15	Bought goods for cash	110	0	0
„ 18	Paid cash to Richard Armstrong	125	0	0
„ 23	Received cash from Harrison & Wells	100	0	0
„ 25	Arthur Robson withdraws cash	100	0	0
„ 27	Bought goods from Wheeler & Son	120	0	0
„ 29	Sold goods to Armitage Bros	300	0	0
„ 30	Paid cash to Wheeler & Son	80	0	0
„ 30	Paid sundry expenses	20	0	0

## EXERCISE 10

Journalise the following transactions, post to Ledger, prepare Trial Balance at the 30th April, 1901 -

1901		£	s	d
April 1	Alfred Hyman commences business with cash, £50, and horse and cart, £20			
„ 2	Bought goods for cash	17	10	0
„ 3	Sold goods for cash	13	14	6
„ 6	Bought goods from Hume & Rees	12	8	4
„ 9	Sold goods to Green & Co	38	10	8
„ 12	Bought goods from Lewis & Hopkins	14	7	3
„ 13	Paid wages	2	19	8
„ 16	Paid Hume & Rees	12	5	5
„ 20	Bought goods from Lewis & Hopkins	30	11	10
„ 20	Paid wages	1	17	6
„ 23	Sold horse and cart to Lewis & Hopkins	22	0	0
„ 24	Received cash from Green & Co	10	8	10
„ 25	Paid cash to Lewis & Hopkins	22	19	1
„ 26	Paid wages	2	15	9
„ 27	Paid wages	2	4	2
„ 29	Sold goods to Joseph Fletcher	27	11	9

Open separate account for “Horse and Cart”

After preparing Trial Balance, journalise and post the stock of goods

## CHAPTER VII

### PROFIT AND LOSS ACCOUNT- BALANCE SHEET

For the purpose of showing in a convenient form the result of the transactions of the business for a given period, an account is opened called the *Profit and Loss Account*, into which are collected the balances of the Nominal Accounts — i.e., the accounts which do not represent actual assets or actual liabilities. The first account of this kind is the Goods Account (March).

The entries in the previous chapter show us the position of the business account after the stock has been duly recorded. The Goods account (March) is now altered, and shows a Creditor Balance of £38 10s. This means that it has parted with (in actual sale value of goods unsold) £38 10s more value than it received - the result of selling goods at a higher value than they cost. The Creditor Balance is a *profit* on the goods, and is carried to a new account which is intended to show the final result of the transactions, viz., the *Profit and Loss Account*.

## JOURNAL

1901	Dr	2	38	s	10	d	0	£	s	d
30		10						38	10	0

Goods Account (March)  
To Profit and Loss Account

## LEIDIGER

Dr.		GOODS ACCOUNT (March)				Cr.		2		
1901		£	s	d	1901		£	s	d	
Apr 4	To Sharp & Sharp	1	300	0	0	Mar 5	By Cash	1	65	0
13	„ Cash	1	59	0	0	8	„ Richards & Co	1	196	10
30	„ Profit and Loss	1				15	„ Waring & Son	1	126	0
	Account	2	38	10	0	30	„ Stock	2	10	0
			397	10	0				397	10

PROFIT AND LOSS ACCOUNT													10
Dr													Cr
					19 01					J	£	s.	d.
					Mar 30	By Goods Account				2	38	10	0

The above entries show how the Goods Account is "closed" a Journal entry, which transfers or carries its balance of profit

Turning to the Trial Balance, we see that the Debtor Balance are divisible into two kinds—(a) Balances which represent actual property or assets (viz, the cash, £171, and debts due from Richards, £196 10s, and Waring, £126), (b) Balances which do not represent assets (viz, the Nominal Accounts—Rent, £1 and wages, £5)

We deal with the latter (b) first. These accounts represent expenses incurred in conducting the business, and in order to show the final result they must be collected into the "Profit and Loss Account."

This is done as follows —

### JOURNAL

												2
1901	Mar 30	Profit and Loss Account	Dr	10	15	s	0	d	0	£	s	d
		To Rent Account		3						10	0	0
		" Wages Account		4						5	0	0

### LEDGER

3		RENT ACCOUNT										Cr		3
Dr														
1901	J	£	s	d	1901	J	£	s	d					
Mar 30	1	10	0	0	Mar 30	2	10	0	0					
To Cash						By Profit and Loss Account								

4		WAGES ACCOUNT										Cr		4
Dr														
1901			J	£	s	d	1901			J	£	s	d	
Mar 30	To Cash	1	5	0	0	Mar 30	By Profit and Loss Account	2	5	0	0			

0		PROFIT AND LOSS ACCOUNT										10	
Dr												Cr	
1901			J	£	s	d	1901			J	£	s	d
for	30	To Rent	2	10	0	0	Mar	30	By Goods Account	2	38	10	0
	30	„ Wages	2	5	0	0							

The Rent Account and the Wages Account are now "closed." The Profit and Loss Account shows now a Credit Balance of £38 10s., this is the amount of profit on the goods after deducting the expenses (rent and wages) and having a Credit Balance.

The balance of the Profit and Loss Account must now be carried to the credit side of the account of David Newman.

1901										
Mar	30	Profit and Loss Account	Dr	10	23	10	0	23	10	
		To David Newman, Capital Account								
		For Profit for Month								

10		PROFIT AND LOSS ACCOUNT										Cr	
19/01													
Mar 30	To Rent	2	10	0	0	19/01							
30	„ Wages	2	5	0	0	Mar 30	By Goods Account	2	38	10			
30	„ David New man (Profit) f	2	23	10	0								
			38	10	0					38	10		

DAVID NEWMAN—CAPITAL ACCOUNT											
Dr					Cr						
1901			£	s	d	1901			£	s	d
Jan 28	To Cash	1	20	0	0	Mar 1	By Cash	1	500	0	0
30	„ Balance carried down		503	10	0	30	„ Profit and Loss Account	2	23	10	0
			523	10	0				523	10	0
						Mar 30	By Balance brought down		503	10	0

What is required now is a statement showing the position of the business on 30th March, i.e., its *liabilities and assets*. The Ledger contains this information in its various accounts. These are now to be arranged in the form of a *Balance Sheet*.

**A Balance Sheet** is a statement showing the liabilities and

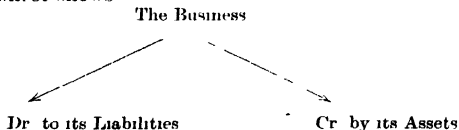
## THE BALANCE SHEET

BALANCE SHEET, 30TH MARCH, 1901

<i>Liabilities</i>	£	s	d	<i>Assets</i>	£	s	d
To David Newman (Capital)	503	10	0	By Cash	171	0	0
				„ Goods in Stock	10	0	0
				„ Richards & Co	196	10	0
				„ Waring & Son	126	0	0
	503	10	0		503	10	0

The Balance Sheet is *not a Ledger Account*, but is a summary of the balances appearing in the Ledger *after* the books are finally posted up. It is written on a separate sheet of paper and is prepared as follows — On the left-hand side, under the heading of *liabilities*, are entered all the *Cr* Balances, in the example the only liability of the business is that to the owner hereof, there are no liabilities to other persons. On the right-hand side are entered all the *Dr* Balances, which represent assets, as we have seen. The amounts are obtained by examining the Ledger, which shows these balances in the accounts of Cash, Goods (the April or new account) for Stock, Richards & Co and Waring & Son.

The student will probably inquire why the Debtor Balance is shown on the Balance Sheet on the *right-hand* side, and the Creditor Balance on the *left-hand* side. He should remember that this Statement or Balance Sheet is *not a Ledger Account*, but that it should be regarded as the statement showing the position of the business in relation to the owner and to other persons. In the Ledger the Cash and Goods, Waring, and Richards, are all *debtors* to the business, conversely, the business is the *creditor* of these assets. And as David Newman is the *creditor* of the business, so the business is *debtor* to David Newman. The Balance Sheet shows



This explains the reason for the form which is commonly followed in this country. The point is not one of practical importance, however, the chief consideration should be the



# EXERCISE 11

Assuming that the following Ledger Accounts have been posted from a Journal, prepare a Trial Balance at 31st May, 1901, record the stock goods on hand, 31st May, £92 10s, open and write up Profit and Loss Account, and prepare Balance Sheet, 31st May, 1901 (The following accounts should be copied out—capital, wages, rent—so that the closing entries may be added)

## LEDGER

### INDEX TO LEDGER

		Folio
Buchanan Bros	Birmingham	5
Capital		3
Carver, Chas	Manchester	9
Cash		1
Goods		2
Herring, Jas	Lincoln	12
Holden & Co	Plymouth	4
Kinloch & Son	Bristol	6
Perry & Sons Ltd	Nottingham	8
Rent		13
Robertson, Alfred (Capital a/c)		3
Thompson, Thos	Derby	10
Wages		7
Wright Bros & Co	Leicester	11

1				CASH ACCOUNT				C			
Dr								Cr			
1901				£	s	d	1901				
May 1	To A Robert						May 11	By Wages			
	son, Capital			50	0	0	13	" Buchanan Bros	55	10	
	Account						16	" Kinloch & Son	17	15	
4	" Goods			8	10	6	18	" Wages	2	10	
11	" "			10	17	3	24	" Goods	32	16	
18	" "			12	15	8	25	" Wages	2	13	
24	" Holden & Co			40	10	0	31	" "	2	4	
25	" Goods			11	9	3	31	" Rent	10	0	
28	" Chas Carver			15	14	6					

2				GOODS ACCOUNT				Cr			
Dr								Cr			
1901				£	s	d	1901				
May 1	To A Robert						May 01	By Holden & Co	23	10	0
	son, Capital			85	0	0	4	" Cash	8	10	6
	Account						11	" "	10	17	3
3	" Buchanan Bros			35	0	0	16	" Holden & Co	17	0	0
8	" "			20	10	0	18	" Cash	12	15	8
10	" Kinloch & Son			17	15	0	20	" Chas. Carver	15	14	6
14	" "			10	17	3	25	" Cash	11	9	3
18	" Perry & Co Ltd.			8	16	9	27	" Wright, Bros.			
23	" Thos						and Co	30	0	0	
	Thompson			11	9	2	30	" Jas Herring	30	15	4
24	" Cash			32	16	8					



8	Dr	PERRY & SONS, Ltd, Park Street, Nottingham	Cr
		1901 May 18 By Goods	£ 8 16

9	Dr	CHAS CARVER, 353 New Road, Manchester	Cr
1901 Jan 20	To Goods	£ 15 14 6	1901 May 28 By Cash
			£ 15 14

9	Dr	THOMAS THOMPSON, 14, Merton Avenue, Derby	Cr
		1901 May 23 By Goods	£ 11 8 9

	Dr	WRIGHT BROS & CO The Armoury, Leicester	Cr
1901 July 27	To Goods	£ 38 8 0	

	Dr	JAS HERRING, Warwick Place, Lincoln	Cr
1901 July 30	To Goods	£ 30 15 4	

	Dr	RENT ACCOUNT	Cr
1901 July 31	To Cash	£ 10 0 0	

## SECTION B — THE PRACTICE

### CHAPTER VIII

#### DIVISION OF ORIGINAL ENTRIES — SALES DAY BOOK

At this point it may be interesting to quote the qual language of an old writer,\* and to notice how the original entri were recorded in his day — “The Waste Book, if no subsidia Books are kept, should contain a record of all the Merchan Transactions and Dealings in a Way of Trade, and that not only such as are properly and purely Mercantile, but of every Occurren that affects his Stock, so as to impair or increase it — such as priva Expenses, Servants’ Fees, House Rent, Money gained or lost c Wagers, Legacies, and the like      The Waste Book written in a plain and simple Stile, and ought to be so, for th book being nothing but a bare History of Facts and Occurrences i Trade, containing the Matter and Substance of Accompts, withou anything of that artificial Dress which they assume in the othe books, the Stile should be suited to the Nature of a Narrativ hat is, simple, plain, and perspicuous, and the more it is so, it he more like what it should be, answers its Design the better, an he Book will be the more perfect      Yet this Simplicity of Stil does not exclude the Use of Terms and Modes of Expression i se among Merchants, for, as every Artist has a Set of Words an Vays of Speaking, which they have a Liberty and Right to use s being peculiar to the Art they profess, so Merchants have theirs nd they speak and write like themselves, by using them      In al Merchants’ Writings, even in a Waste Book, when written by erson of Skill and Experience, there is a concise, emphatic Diction certain peculiar use of Words and Phrases, which is a kind o elegancy that runs through and adorns the whole, and at th me Time shows the Ability of the Accomptant      This should b urefully studied by a Learner, and is only to be acquired by onverse with Merchants and the Imitation of well-writ Books      Indeed the less of this Merchant Stile is to be expected in a Waste Book, in regard it is writ up in the Time of Business, and

often in the very Hurry of it, yet this inconvenience might be prevented if Accomptants would be at the Pains first to minuter things upon a Blotter, and afterward when the Throng of Business is over, to extend them in the Waste Book. By this Means both the Expression might be more accurate, and the Writ much fairer. And this certainly is the Method that should be taken by a young Book-keeper

“Having thus far insisted on the Nature of the Waste Book, I now come to take notice of its true Use, and the Necessity of keeping it, both which appear from the Consideration following, viz —First, the filling up of the Journal, being the nice and difficult part in Book-keeping, cannot well be performed in the Time of Business, but requires Leisure, and Retirement, Thought and Deliberation. Nor is it proper to leave the Transactions of the Day unrecorded till the Hours of Business are over, for they may escape the Memory and be quite forgot, or at best breed confusion. It is needful then, that a simple Record go constantly on, keeping pace with the Occurrences of Trade, containing a complete Narrative of everything transacted, out of which the Journal may be made up at leisure Hours. Again, secondly, after the Journal is filled up, the Waste Book is the Touchstone by which it must be tried and proved, or if wrong, corrected. It is therefore absolutely necessary to keep a Waste Book, and these are the proper and genuine Uses of it. Indeed, after the Journal is filled up and corrected, the Waste Book is of little further Use and probably on this Account it has got the Name it bears.”

“The Pocket-Book. This is a small Book, of a portable Size which a Merchant carries in his Pocket when business calls him abroad to a Tavern, a Fair, the Country, or other Places. In this he sets down the Bargains he makes, the Expenses he is at, the Debts he pays, or Sums he receives, with every other Part of Business he transacts while abroad, as also any Occurrence or Piece of News he thinks worth while to record, and when he comes home to his Compting-house or Shop, he transfers the things contained in this Book, each to their proper Places in the Waste Book or Books subsidiary.”

“Factors of great Business sometimes keep another small Book called the ‘Memorandum Book’

However important the Memorandum Book, Pocket Book, Waste Book, or Slate may have been, we will not trouble the student with them now, but will proceed to consider our subject in its more practical application.

In the preceding chapters the transactions have been dealt with in such a manner as will enable the student to obtain a grasp of the meaning of the "double entry" principle, and each transaction has been made the subject of two distinct entries in order to fully exhibit the 'two-fold' effect in each case. The method employed is that which was used in former days, when business was conducted with less pressure and hurry than at the present time. The student, after having carefully worked through that section, may now learn how the method is modified to meet practical requirements, whilst the underlying *principle* still remains steadfast.

The changes which are now to be considered chiefly apply to the recording of the original entries. In the former section *on* *book* of original entry has been used, the Journal; but, as stated on page 25, the use of one book only for this purpose is, in the huge majority of cases, not a convenient plan. Separate books are therefore called into use for recording separate classes of transactions, and the first book now to be considered is the book containing the original entries of the sale of goods, or the *Sales Day Book*. This book has many other names, such as Good-old Book, Day Book, Sales Journal, &c., but we prefer to employ the name mentioned, as signifying the book in which entries of *sales* are to be made *daily*.

Goods are sold in two ways. Either to a customer who does not pay cash at the same time, such transactions are called "credit sales." Or in exchange for cash received at the same time, such transactions are called "cash sales."

In most businesses the "cash sales" are not entered in the Sales Day Book as they occur; they are more conveniently dealt with in a manner to be explained later. The primary object of the Sales Day Book is to record the "credit sales."

(It must be understood that, in speaking of the *sale* of goods, we are always referring to the actual delivery of goods to the customer. Occasionally the *sale* and the *delivery* do not take place on the same day; a customer may buy a quantity of goods

n March and stipulate that they shall be delivered to him, part  
n April, and partly in May In the following transactions  
e dealt with the goods are *sold and delivered* )

The entry in the Sales Day Book, if it is to be a complete  
record of the transaction, should contain

- (1) The date of the sale
- (2) Name and address of the customer
- (3) Description of the goods, sufficiently full so as to enable  
them to be easily identified, and including weight,  
number, or quantity
- (4) The selling price of each article
- (5) Amount of selling value of goods (shown separately  
there are more items than one), and
- (6) A total of the whole
- (7) Memorandum of the mode of conveyance or delivery  
of the goods, and stating whether the carriage (if  
any) is payable by the buyer or seller
- (8) Memorandum of any special terms which may have  
been agreed to, as to length of credit, &c

The following is the ordinary form of Sales Day Book, and the  
numbers show where the above items of information should  
appear —

### SALES DAY BOOK

(Ledger Folio of Customer's Account entered in this space)	No 1 (Date)				No 4	No 5	No 6
	No 2						
	No 3						
	No 7						
	No 8						
	A line is ruled across this space between entries for each person						

## JOSEPH MEREDITH, Cloth Merchant—

## SALES DAY BOOK

1

			£	s	d	£	s	d
1	<i>June 1st, 1901</i> Hy Ashbourne & Sons, 7, Arundel St, Bradford 24 yds Blue Serge, No 10,124 3/6 10 „ Lambs' Wool, No 9,243 5/3  Per Mid Rly, Carriage Paid		4	4	0			
			2	12	6	6	16	6
2	<i>June 5th</i> Mitchell & Co, Mayfield Sq, Hull 20 yds Fancy, No 11,348 4/2 60 „ Cheviot, No 19,673 3/10 21 „ Melton, No 10,012 4/ Canvas  Per N E R, 5% for cash		4	3	4			
			11	10	0			
			4	4	0			
				1	6	19	18	10
3	Thomas Chambers, 3, Cannon St, Leicester 10 yds Brown Lining 1/8 8 „ Blk Worsted, No 13,315 6/4 12 „ Grey Mixture, No 12,523 3/10 30 „ Royal Twced, No 10,782 3/6  Per M R			16	8			
			2	10	8			
			2	6	0			
			5	5	0	10	18	4
	Forward		37	13	8	37	13	8



# SALES DAY BOOK

		£	s	d	£	s	d
	<i>Forward</i>	37	13	8	37	13	8
4	Scott & Kingsley, The Stores, Great Yarmouth						
	10 yds Black Vicuna, No 14,176	3	6	0	0		
	12 „ Worsted Coating, No 12 457	4 8	2	16	0		
	30 yds Print	1/8	2	10	0		
	Canvas			1	0	11	7
	Per G N R Passenger						
	<i>June 12th</i>						
5	Daniel Dawson, James Sq., Otley						
	12 yds Box Cloth No 12 512	6/	3	12	0		
	20 „ Green Curl, No 13 431	4/6	4	10	0		
	18 „ Covert Coating, No 11,958	7/	6	6	0		
	24 yds Grey Flannel	2/3	2	14	0		
	60 „ Blue Pilot, No 10,871	4/9	14	5	0		
	Canvas			2	0	31	9
	Per your Cart						
	<i>June 20th</i>						
6	Lucas Bros 159, Union Rd., Chesterfield						
	6 yds Fancy Mixture No 10 034	3/3		19	6		
	4 „ Covert Coating, No 11,958	7/	1	8	0	2	7
	Per Parcels Post						
	<i>Cr Led fo 13</i>						
		82	17	2	82	17	2

The foregoing transactions of Joseph Meredith form part of series to be continued through the subsequent chapters

The above Sales Day Book will serve as an example of the manner in which a book should be kept. The value of each

item is extended into the first cash column, and the total of each sale is carried into the second cash column, this should be done in all cases, even if the sale consists of one item only, as the both cash columns can be added up, and the agreement of the totals gives a useful check on the correctness of the additions for each separate sale.

The cash columns are added up and the figures carried forward page by page until the end of the month, when the totals are ruled off. It is important that this book should be written up *promptly*. Each sale should be entered either before or during the packing of the goods. Great care should be taken to see that all goods despatched are recorded in this book, and the proper price charged.

Only actual sales should be entered. Any goods sent out merely "on approval," which may or may not be retained by the customer, should be first recorded in a separate book (Approval Book) as a memorandum only, the goods which are eventually sold to the customer being then entered in the Sales Day Book.

The Sales Day Book, having been duly entered up, is *posted* in the following manner:

The amount of each sale is entered in the Ledger on the Dr side of the customer's account, and the Sales Day Book folio number written in the Ledger.

The Ledger folio number is written in the Sales Day Book in the space at the left-hand margin, in bold figures, thus showing at a glance whether any item has escaped being posted. At the end of the month the final total of sales is posted to the Cr side of an account in the Ledger called "Sales Account" (to be eventually carried to the Cr side of the Goods Account), the respective folios being inserted as before.

When this posting has been done the Ledger contains, as far as this matter of sales is concerned, an *equal* amount on each side, i.e., a number of items on the Dr side of customers' accounts which equal in amount the items on the Cr side of the Sales Account.

The principle of double entry is thus given effect to without any labour attendant upon entering each separate transaction.

The method of posting from the Sales Day Book to the Ledger will be referred to again in the chapter on the Ledger.

Each day, when the Sales Day Book is written up, Invoice is prepared and sent out to each customer.

The Invoice is a copy, written on a printed form, of particulars and prices of the goods sold as appearing in the Sales Day Book. Sometimes this process is reversed—the Invoice is written out and then copied into the Sales Day Book. This is a practice to be avoided, as it carries the risk of the Invoice being *sent away before* the entry is made in the Day Book, and if the latter entry were by any chance omitted, there is increased danger of the value of the goods being lost.

As a general rule, it is advisable that the Sales Day Book shall include only entries of sales of the goods in which the trader deals. The sale of any other article, such as an oil machine, or any other portion of the assets (apart from the goods), may more conveniently be dealt with by means of a Journal entry.

When the Sales Day Book is used, no entries of its transactions are made in the Journal.

The student is referred to Part II of this work for example the mode of adapting the Sales Day Book to meet special requirements, and for methods of dissection and analysis of its contents.

## EXERCISE 12

Make calculations and enter in a Sales Day Book the following sales:

Perkins Bros, Stationers, London—June 1st, 1901 J Creatorex & Co, Smith Lane, London, E.C.—5,000 British envelopes (No. 2) @  $2/7\frac{1}{2}$  per thousand, 3 doz Wolff's No. 12 red pencils @  $1/11$  per doz, 1 cwt brown paper @  $1/9$  per stone. June 4th, W. L. Hardy & Co, Albion Mill, Bradford—12 copying letter books (quarto) @  $4/9$ , 6 doz 3d memo books @  $2/9$  per doz, 2,000 cash envelopes @  $3/11$  per thousand, 18  $\frac{1}{2}$  lb black twine @ 6d each, per G. N. R. (carriage paid). June 6th, Russell & Sons, 107, Wellington Road, Sheffield—3,500 Manila envelopes @  $2/9$  per M, 100 bottles writing ink @  $2/10\frac{1}{2}$ , 12 sticks Bank of England sealing wax @  $3\frac{1}{2}$ d, 500 book post wrappers (plain) @  $9/6$  per M, 6 boxes rubber bands (assorted) @  $3/-$ , 4 gross Gillott's 451 pens @  $1/2\frac{1}{2}$ d gross, per Mid. Rly. (carriage paid). June 10th, The Northern Drug Co, The Stores, Carlisle—3 balls thin twine @  $11\frac{1}{2}$ d,  $2\frac{1}{2}$  gross patent fasteners @  $5/8$  gross, 6,000 British No. 5 envelopes @  $4/10$  per M, 6 doz H. B. pencils @  $1/1\frac{1}{2}$  doz, gross cubic boxes at  $4/6$  doz, per L. & N. W. Rly. (carriage forward).

## EXERCISE 13

Make calculations and enter in a Sales Day Book the following sales:

Richardson & Masters, Ironmongers—June 3rd 1901, J. R. Allison, 17 Queen's Road—1 fish kettle,  $3/6$ , 2 hot water cans @  $2/5$ , 3 enamel ricepans @  $1/9$ . June 7th, Mrs. Thurston, 28, Lansdown Terrace—2 plum skates @  $4/9$ , scales and weights,  $10/6$ , coal scoop,  $3/-$ . June 12th, Hy. Mortimer, 1, Rothesay Place—Shovel, 9d, copper pan,  $10/-$ . June 15th, Munson & Ward, 14, Manor Street—1 gas fire,  $32/6$ , brass fender and nous,  $12s\ 6d$ . June 19th, Mrs. Thos. Emsley, Clarence Villas—2 gas globes @  $6\frac{1}{2}$ d, spade,  $3/-$ , garden rake  $1/9$ , fork,  $1/3$ , 1 set fire brasses,  $14/6$ . June 22nd, Robert Rushton, 146, Park Road—Carpet sweeper,  $11/6$ , 1 brass fender,  $\pounds 17s\ 6d$ , coal box,  $15/6$ . June 25th, Miss Morgan, The High School—1 wringer,  $30/-$ , 1 brass gong,  $35/-$ . June 28th, W. H. Swift, Royal Parade—1 pair firebricks,  $2/-$ , curtain chains,  $3/6$ . J. W. Lawson, South Street—2 pails @  $1/6$ , watering can,  $3/-$ , 2 doz picture hooks @  $1/-$  per doz, wire mat,  $5/-$ .

## CHAPTER IX

### PURCHASES DAY BOOK

We have seen that the entries of sales are more convenient recorded in a separate book, viz, the Sales Day Book. Similarly a separate book of original entry is found to be useful for the recording of purchases of goods. In some cases this book may be combined with the Sales Day Book, forming one volume, but usually it is better to keep a distinct book for this purpose. The names given to this book in various offices are Purchases Book, Bought Day Book, Bought Book, Credit Journal, Invoice Book &c. We will employ the name *Purchases Day Book* as signifying the book in which entries of *purchases* are to be made *daily*.

For our present purpose, and for the sake of simplicity, we will assume that this book contains only entries of purchases (on credit) of goods in which the trader deals, or materials for manufacture. Other purchases may be conveniently recorded in the Journal.

The form and method of keeping the Purchases Day Book depend to a large extent upon the system of dealing with Invoice received. Whatever the nature of the business may be, it should be a fixed rule that an Invoice should be received with each lot of goods purchased, or the Invoice should arrive by the next post. The observance of this rule will facilitate the keeping of accounts, and to a great degree prevent confusion and error. The goods having been received, the Invoice should be, without delay, examined to ascertain if it is correct in respect of the quantity, quality, and price of the goods bought, all calculations or extensions and additions upon the Invoice must be checked and if any error is discovered the Invoice should be promptly returned to the seller for correction. Each person who examines the Invoice for any particular point, such as *quantity* or *calculations*, should add his initials thereto as evidence that it has received due inspection.

The Invoices having been carefully checked in this way, are ready for entering in the Purchases Day Book. There are

is the best way cannot be answered without regard to the nature and precise conditions under which the business is carried on. This portion of the practical work gives the book-keeper a good opportunity of displaying his skill in arranging his methods; that the object in view, viz., a clear and concise record of transactions, can be attained with the least labour.

We will now consider the usual methods employed. It is necessary for us to keep the *Invoice* and the *Book* in mind at the same time. We will assume that a month's purchases are to be recorded. The purchases may be dealt with in the following way.

*First Method* — Copy the Invoice in full into the Purchase Day Book (just as our *sales* have been entered), and place the Invoices on a file or in a parcel in order of date.

This is the simplest method, and has the advantage of giving all details in the Purchases Day Book, so that it is unnecessary to refer afterwards to the actual Invoice for particulars. Its disadvantage is the labour of copying.

*Second Method* — Number the Invoices consecutively, enter the date, name, and amount in the Purchases Day Book, with the Invoice number, but omitting details of quantities, &c. File away the Invoices in numerical order.

This method is shorter than No. 1, but entails the searching of the Invoice itself if any details are required afterwards. If the Invoices are neatly preserved, this reference by number is very quickly done.

*Third Method* — Use a Guard Book, or book containing large blank pages of strong paper. Fold up the Invoice (write outside the name of seller and the date), and paste it on the left-hand page and enter the amount on the margin of the page in a line with the Invoice.

This method has the advantage of showing the *actual* Invoice ways at the side of the *entry*. Its disadvantages are that Invoices cannot easily be detached if required, and the book is apt to become rather unwieldy.

One of these three methods, with certain suitable modifications, ~~and~~ experience will suggest, should be adopted according to the

or classification of the various entries of purchases will be dealt with in Part II of this work. At this stage it will be well to use the first method as being best adapted for conveying a full record of the transactions.

### Transactions of Joseph Meredith (continued)

#### PURCHASES DAY BOOK FIRST METHOD

		£	s	d	£	s	d	1
7	<i>June 4th, 1901</i> Ogilvie, Sons & Co., Victoria Mills, Glasgow 1 piece Scotch Tweed, No 10,976, 78 yds 1 piece Scotch Tweed, No 10,848, 72 yds	3/6	13	13	0			
		3/4	12	0	0	25	13	0
8	<i>June 8th</i> Warham Woollen Co. Ltd., Leeds 1 piece Worsted Coating, No 12,457, 70 yds 1 piece Worsted Coating, No 11,376, 74 yds	3/10	13	8	4			
		4/	14	16	0	28	4	4
9	<i>June 20th</i> Hayworth, Bourne & Son, Dewsbury 2 pieces Print @ 70 yds 140	1/4	9	6	8	9	6	8
0	<i>June 28th</i> Drewitt Bros., Carlisle 48 yds Serge, No 10,143	3/	7	4	0	7	4	0
	<i>Dr Led fo 15</i>	70	8	0	70	8	0	

The space at the left hand side is used for the Ledger folio

According to the *Second Method* the transactions would be

# PURCHASES DAY BOOK

Date	No of Invoice	Name	Town	Ledger Folio	Amount of Invoice		
1901					£	s	d
June 4	1	Ogilvie, Sons & Co	Glasgwick	7	25	13	0
8	2	Warham Woollen Co Ltd	Leeds	8	28	4	
20	3	Hayworth, Bourne & Son	Dewsbury	9	9	6	
28	4	Drewitt Bros	Carlisle	10	7	4	
					70	8	

According to the *Third Method* the transactions would be entered as follows

## GUARD BOOK PURCHASES

					1
<i>The Invoices are neatly folded and pasted here (they are not of uniform size)</i>					£ s d
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;"> Ogilvie, Sons &amp; Co  4th June, 1901 </div>					7 25 13 0
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;"> Warham Woollen Co Ltd  8th June, 1901 </div>					8 28 4 4
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;"> Hayworth, Bourne &amp; Son  20th June, 1901 </div>					9 9 6 8
<div style="border: 1px solid black; padding: 5px; width: fit-content;"> Drewitt Bros  28th June, 1901 </div>					10 7 4 0
					70 8 0

**NOTE.**—When this Book is used the Invoices should be pasted only on one side of each leaf otherwise the Book will be more difficult to handle



The Purchases Day Book having been entered up (according to the First Method), is posted in the following manner

The amount of each purchase is entered in the Ledger on the credit side of the seller's account, and the Purchase Book folio number, *or* the number of the Invoice is written in the Ledger (the latter plan is often useful, as it facilitates reference to the actual Invoice, if it is adopted, a column for the Invoice Number must be added to the first form of Purchases Day Book) The Ledger folio number is written in the Purchases Day Book, in the column provided. It is, as a general rule, unnecessary to repeat in the Ledger the details of the transaction, the posting being done in a concise style

1901			£	s	d
June 4th	By goods	1	25	13	0

At the end of the month the final total of purchases is posted to the Dr side of an account in the Ledger called "Purchases Account" (to be eventually carried to the Dr side of the Goods Account), the respective folios being inserted as before

When all this posting has been completed, the Ledger will contain, as far as this matter of purchases is concerned, an equal amount on each side, viz, a number of items on the Cr side of various sellers' accounts which are equal in amount to the items on the Dr side of the Purchases Account

The Purchases Day Book is not so difficult to keep as the Sales Book, as the former is written up from the Invoices which have been *received*, whilst the latter is written up *before* the preparation of the Invoices which are to be sent out. As mentioned above, care should be taken to see that Invoices accompany *all* goods received, that the Invoices are correct in all details, and that *only one* Invoice is received for the same parcel of goods. It sometimes happens that an Invoice is sent back to the sender for correction, and a new or "corrected Invoice" is received in its place and occasionally, *both* the original and corrected Invoices have been entered in the Purchases Day Book in respect of the *same* goods

Cash purchases, or purchases of goods for which cash is paid at the same time, should not be entered in the Purchases Day Book

In most businesses these are of small amount, and in the chapter on the Cash Book an explanation of their treatment will be given.

No entries of the transactions appearing in the Purchases

## EXERCISE 14

Enter in a Purchases Day Book (according to the first method) the following purchases of Edward Murstone, Ironfounder—April 3rd, 1901  
 Furison, Druce & Co 2 tons 10 cwt best coke (*@* 25/ ton, £3 2s 6d)  
 April 6th, Smalley Bros 10 tons hard steam coal (*@* 14/ £7  
 April 12th, Carrum & Sons 25 tons No 3 Cleveland iron (*@* 46/ £57 10s  
 April 17th, Alfred Sharpley 10 tons 5 cwt Scotch iron ("Two Stars") (*@* 53/ 27 3s 3d  
 April 20th, Northern Sandstone Co 12 tons fine sand (*@* 5/ and 24 tons loun (*@* 9/ , £13 16s  
 April 23rd, Cuddesdon & Co 50 tons Liddesbrough G M B iron (*@* 43/ , £107 10s  
 April 26th, Joseph Plumme 2 tons English lead (*@* £12 6s 8d , £24 13s 4d)

## EXERCISE 15

Write out on separate sheets of paper the Invoices representing the following purchases of Perkins Bros, Stationers, London and fasten them into a Purchases Day Book according to the third method described—1st June, 1901, J Todd & Co Ltd, 11, Park Street, Birmingham 1 foolscap folio ledgers (6 quires, simple) (*@* 2/10, 10 foolscap folio cash book 10 1) (*@* 3/3, 5 gross small memo books 9/1½ gross  
 6th June, A W Weber, Queen Victoria Street, London, E.C. - 3 gross drawing pencil 10 3) (*@* 8/7½ gross 6 doz large red copying pencils, 2/9 per doz 4½ doz B pencils, 3/10½ gross, 9 doz special shorthand pencils (*@* 1/3 doz  
 11th June, W H & A Townson, 15, St Joseph's Place, Manchester 1 ream white blotting (*@* 12/8 per ream, 2½ reams royal court 8vo small 10 10) (*@* 5/ , 1½ reams royal court note (*@* 5/6, 2,000 envelopes (*@* 9/3 per 100 500 cash envelopes (*@* 8/6 per 1,000), 20 doz large flax envelopes (*@* 1/2 doz , 100 document envelopes (*@* 2/6 doz  
 13th June, James Slicer & Sons, Hall Gate Works, Leeds—3 quires foolscap stencil paper (*@* 2/6 per quire, 3 quires do (*@* 2/3 per quire, 10 quires cyclostyle stencil paper 1/10 quire, 24 quires do (brief size) (*@* 4/3 quire)

## CHAPTER X

### RETURNS BOOKS

Goods which have been delivered to, and charged against, customer are occasionally sent back or "returned" by him for various reasons, and such transactions are a frequent source of worry and annoyance in business.

The reason why the goods are returned may be either that their quality is not so good as the sample submitted when the order was given, or that the price charged is more than the buyer agreed to pay, or that the goods were not delivered within a specified time, and the delay prevented the buyer from dealing with them as he expected to do, or that the goods were never ordered.

Goods are sometimes returned for another reason—the seller may have become doubtful as to his chance of being paid for the goods at the due time, and he may therefore be willing to cancel the bargain and receive his goods back again rather than incur risk. But if a trader knows that he himself is *insolvent* it is illegal for him to return goods to any particular creditor, as such dealing gives that creditor an undue advantage over the other creditors.

When a dispute arises between the seller and buyer of goods from the foregoing or other reasons, it is often settled without an actual return of goods, but by means of an "allowance." This means that the seller agrees to make a reduction in his charge for the goods in question, and this reduction or allowance is accepted by the buyer.

The "returns" which are most frequently met with in practice are empty packages (cases, bags, boxes, bottles, casks, &c.) which have been charged for by the seller, but which he agrees to take back again when empty and to allow for, either at the full price charged or at some smaller stated amount.

In a trader's accounts the goods which are returned to him by his customers are called *Returns Inwards*, the goods which

## RETURNS INWARDS BOOK

*Returns Outwards* "Allowances," or reductions of price, are treated in the same way and entered in the same book as the actual returns.

The *Returns Inwards Book* contains the original entry of the trader's goods returned by his customers. Its *form* is exact similar to that of the *Sales Day Book*, although usually its size is much smaller. The entry in this book should contain details in the same manner as the *Sales Day Book* entry, viz., the date of the receipt of the goods, customer's name and address, description, weight, number or quantity of goods, and the price of each article, with amount of value of the goods returned. There should be added a note of explanation of the reason why goods have been returned. Care should be taken that the goods have actually been received from the customer before the return is entered.

The following is the *Returns Inwards Book* of Joseph Meredith -

### RETURNS INWARDS BOOK

								1
		£	s	d	£	s	d	
2	<i>June 10th, 1901</i> Mitchell & Co., Mayfield Square, Hull 2yds Fancy, No 11,348 (stained)	1/2						
			8	4		8	4	
5	<i>June 15th</i> Daniel Dewson, James' Sq., Otley 12 yds Box Cloth, No 12,512 (wrong shade) Allowance on 60 yds Blue Pilot as arranged	6/						
			3	12	0			
				15	0	4	7	0
	<i>Dr Led fo 13</i>		4	15	4	4	15	4

Each day when the *Returns Inwards Book* has been written, Credit Notes are prepared and sent out to each customer who has returned goods.

The Credit Note is a copy of the entry in this book written

clearly distinguish between an Invoice and a Credit Note, latter is usually printed in red ink

The object of issuing this note is to tell the customer exactly what quantity of goods have been received from him, or what allowance has been made, and by what amount his account thereby credited in the seller's books

The Returns Inwards Book is "posted" in this way: the total amount of each entry is entered in the Ledger on the credit side of the customer's account "By Returns" or "By Allowance" and the Returns Book folio number is written in the Ledger. The Ledger folio number is written in the Returns Book in the space at the left-hand side, in bold figures. At the end of the month the total of Returns Inwards is posted to the Debit side of the Sales Account in the Ledger, the respective folios being inserted as before

In respect of these transactions the Ledger now contains an equal amount on each side, viz., several items on the Credit side of customer's accounts, and an equal amount on the Debit side of the Sales Account

The Returns Inwards Book being used, no entries of these transactions will be made in the Journal

*The Returns Outwards Book* contains the original entries of goods returned by the trader to the persons from whom the goods were bought, or of allowances which he is entitled to claim. This Book is usually in the same form as the Returns Inwards Book, and the entries should be made in a similar manner, adding a memorandum of the mode of delivery in the case of an actual return of goods. Although these transactions bear some resemblance to "sales," yet they should be carefully distinguished from the entries of sales, as they really represent a reduction in the purchases of goods, and not an addition to the sales

The Returns Outwards Book being written up each day, *debit Notes* are prepared and sent out to each person whose account is affected. The Debit Note is a memorandum containing a copy of the entry, and is sent out in order to inform the seller of the goods exactly what goods have been returned to him, and a statement of the value of the goods returned to him. The ordinary

Invoice form may be used for this purpose, but the words "Debit Note" should be written at the top in order to draw attention to the precise nature of the transaction set forth

The Returns Outwards Book is "posted" as follows - The total amount of each entry is written in the Ledger, on the Dr side of the personal account "To Returns" or "To Allowance" and the Returns Book folio number is written in the Ledger. The Ledger folio number is written in the Returns Book in the space at the left hand side

At the end of the month the total of Returns Outwards is posted to the Cr side of "Purchases Account" in the Ledger, the respective folios being inserted as before

For "Returns Outwards" the Ledger now contains equal amounts on each side, viz, on the Dr side of personal accounts and on the Cr side of Purchases Account

No entries of these transactions are made in the Journal

The following is the Returns Outwards Book of Joseph Meredith

### RETURNS OUTWARDS BOOK

					1			
		£	s	d	£	s	d	
June 11th, 1901								
8	Warham Woollen Co Ltd , Leeds							
	Allowance on Worsted Coating No 12 457 70 yds	/2	11	8				
	1 piece returned Worsted Coating, No 11 376 74 yds (wrong design)	4/	14	16	0	15	7	8
June 29th								
0	Drewitt Bros , Carlisle							
	8 yds Serge returned, faded and cut	3/	1	4	0	1	4	0
	Per Globe							
Cr Led fo 15		16	11	8	16	11	8	

## EXERCISE 16

Make calculations and record the following returns and allowance (inwards and outwards) of Henry Willard, Cloth Merchant, in two Returns Books - April 3rd, 1901- Returned to Jameson & Small, 1 piece Melton 56 yds, @ 4/6 (wrong shade), and canvas, 7/6 April 6th-Returned to Williams & Rhodes, canvas, 3/6 April 10th-Returned to Blakey Bros 2 pieces blue serge, 74 yds each, @ 3/2 per yd April 13th- Allowed Northern Woollen Co Ltd for short measure in Cheviot, 30/ April 17-Allowed to Kempson & Kaye for stains in cloth, 10/ April 20th-Returned by Carter & Co, 24 yds flannel (not ordered) @ 1/2 April 22nd-Returned to Hudson & Leigh, 6 pieces (70 yds each) worsted @ 4/- per yd (badly dyed) April 24th-Allowed to Dawson & Dale for over measure, 15/- April 25th-Returned to Maynard & Sons, 36 yds coatmaking cloth @ 4/9, at their request April 29th Allowed to Simpson & Steel for damaged cloth, £2 10s

## EXERCISE 17

Make calculations and record the following returns and allowance (inwards and outwards) of the Retail Boot Co in two Returns Books - May 3rd, 1901- 3 empty crates @ 10/6 each returned to Bailey Bros May 7th-Allowed to Jas Harmon for bad sewing, 2/-. May 9th-1 pair shoes returned by Thos Jackson (wrong size), 15/6 May 13th-Returned empty case to Walker and Co, 5/6 May 15th-Returned 1 doz men's shoes @ 12/3 to Walker and Co May 18th-Allowed to Hy Kaye for difference on exchange, 2/ May 22nd-2 pair shooting boots returned by Col Newcome (misfits), 35/ and 38/ May 23rd-Returned 6 boxes to Cardley Bros @ 7/6 May 25th-Returned by Geo Holmes-1 pair shoes (sent him in error), 14/6 May 27th-Returned by Miss Lamond, 1 pair shoes (not ordered), 10/6 May 28th-Allowed Benjn Bradley for error 5/ charged, should be 22/8, 2/6 May 29th-Returned empty crate to Bailey Bros., 8/ May 30th-Returned by David Frankland, 1 pair boots, 16/, on account of late delivery

## CHAPTER XI

### CASH BOOK

The Cash Book is the book in which the original entries the receipts and payments of cash are made, it being inconvenient in practice to record the transactions in the Journal. The Cash Book is more complex than the books already described, and should be closely studied, commencing with the simple form and proceeding to the more elaborate. First let us explain what is meant by the word "Cash" in this connection. Cash includes coin (gold, silver, copper), bank notes, cheques, post office orders, postal orders, and bank drafts. (Bills receivable are excluded from this category, and will be referred to in Part II.) The student should bear in mind that, whilst the Cash Book is generally used as a very convenient place for recording *other* transactions, its proper function is to exhibit a clear account of the receipts and payments of Cash.

#### LIST OF CASH TRANSACTIONS

1901		£	s	d
Jan	1	Received from Skelton & Son	24	10 0
	5	Paid to Hy Bottomley	15	9 6
	10	Received from Bradbury Bros	18	15 3
	14	Paid to Proctor & Co	24	9 0
	18	Paid to Walter King	2	10 0
	23	Received from W Wardle	13	19 2
	25	Received from Joseph Wood	8	14 8
	28	Paid to R Storey	1	12 6
	29	Paid to Geo Durham & Co	1	18 0
	30	Received from Benj Brown	4	19 8
	30	Received from Taylor & Smith	11	10 0
	31	Paid to Alf Middleton	7	15 3

These transactions are shown in the following Cash Book which is arranged in the simplest form, the left-hand page being used for entries of "Cash Received" and the right-hand page for entries of "Cash Paid." This form is the same as that of the Cash Account described in Chapter I, with the additions of



# CASH BOOK

1   Dr										C	
19 01		Led fo	£	s	d	19 01		Led fo	£	s	d
Jun	1 To Skelton & Son		24	10	0	Jan	5 By Hy Bottomley		15	9	
	10 " Bradbury Bros		15	15	3		14 " Proctor & Co		24	9	
	23 " W Wardle		13	19	2		18 " Walter King		2	10	
	25 " Joseph Wood		8	14	8		28 " R Storey		3	12	
	30 " Benj Brown		4	19	8		29 " Geo Durham				
	" " Taylor & Smith		11	10	0		and Co		1	18	
							31 " Alf Middleton		7	15	
							" " Balance car				
							ried down		26	14	
			82	8	9				82	8	
31	To Balance brought down		26	14	6						

The Cash Book should be entered up immediately a transaction takes place, and the money columns should be added up and carried forward until the time of "balancing" (say monthly) arrives. Both sides of the Book are paged alike, and it will be found in actual practice that the number of items on one side of the book is greater than the number of items on the other side. Usually the "Receipts" are more numerous than the "Payments" and when, for example, page 1 is filled up with entries of receipts, the entries of *both* receipts *and* payments should be resumed on page 2, instead of using page 2 for receipts and page 1 for payments. The reason being that the *dates* of the entries on both sides should correspond, so that the "balance" at any particular date can easily be ascertained.

In the above example the Cash Book is "balanced" and ruled off at the end of the month. In some cases it is better to do this weekly, and in other cases once a quarter is enough. But whether the Cash Book be balanced weekly, monthly, quarterly or annually, there is another operation which should *always* be performed "*daily*," i.e., the comparison of the Cash Book with the actual cash in hand. This is a matter which, if neglected, will most certainly lead to error, and probably loss. It is not necessary to add up the Cash Book in ink for this purpose, but a note of the totals may be made on a memorandum slip at

33 Jan 1901	Dr	£ s d	Note	£ s d
	Cr	07 4 5	Gold	5 0 0
		42 8 6	Silver	9 0 0
			Copper	1 15 6
				0 0 5
	Balance	14 15 11		14 15 11

On the 23rd January the actual money in the Cash Book is found to agree with the "Cash Book" balance the slip retained until the Cash is agreed next time, when it is destroyed and replaced by the new "slip"

The Cash Book entries are posted to the Ledger in this way the items on the Dr side of the Cash Book are entered on the Cr side of the proper account in the Ledger—"By Cash"—and the Cash Book folio number is written in the Ledger. The Ledger folio number is written in the Cash Book in the column provided. The items on the Cr side of the Cash Book are entered on the Dr side of the proper account in the Ledger "To Cash," and the respective folios are written as before.

Speaking of the two sides of the Cash Book as Dr and Cr sides indicates some resemblance to a Ledger Account. That is just what this book represents, viz., the "Cash Account" kept in a separate volume for greater convenience. Besides being a book of original entry, like the Sales Day Book and Purchase Day Book, it serves all the purposes of the Cash Account, and becomes, in fact, a portion of the Ledger. No other Cash Account is therefore necessary, and the effect of using this book in the manner indicated is to dispense with all Journal entries of Cash, and with the "Cash Account" in the Ledger itself. This being the case, the balance of the Cash Book, at the time of closing the books, must be treated as though it were a Ledger Account Balance, and must be set forth in the Trial Balance.

It will be obvious in regard to cash transactions, that the double-entry principle is followed throughout, each transaction involving a Dr entry in the Cash Book and a Cr entry in the Ledger, or *vice-versa*.

The student having become acquainted with the simple Cash Book, may now learn how its use is extended for the sake of convenience, and the first matter to be explained is "Discount" as this term is often used in reference to two very different things.

reduction in the nominal price of goods bought or sold, it is usually stated as a reduction upon the Invoice, and is independent upon the question of date of payment for the good. We are now dealing with Cash Discount, which is an allowance made to a person in consideration of the fact that the amount owing by that person is paid punctually — i.e., either upon or before the date when the money is due. A B buys goods from C D. on 1st January, £100, and is allowed to take a month's credit, with  $2\frac{1}{2}\%$  discount. On 1st February he pays £97 10s and the balance or difference, £2 10s, is the discount. In the Ledger of C D the accounts of A B and of discount will stand as follow —

#### A B'S ACCOUNT

<i>Dr</i>		£	s	d				Cr	£	s	d
Jan 1	To goods	100	0	0	Feb 1	By cash			97	10	0
					„ 1	„ discount			2	10	0
									100	0	

#### DISCOUNT ACCOUNT

<i>Dr</i>		£	s	d		Cr
Feb 1	To A B	2	10	0		

A B having discharged his debt promptly, C D is placed in possession of the use of the £97 10s cash, and is relieved from risk of loss of the debt. C D receives this “value,” and his “Discount Account” is therefore Dr, A B becoming a *Creditor* for that amount.

The effect of discount transactions is as follows —

Discount allowed <i>by</i> the trader	Discount Account	Dr
	Personal Account	Cr

Discount allowed <i>to</i> the trader	Personal Account	Dr
	Discount Account	Cr

No separate book of original entry is required for these transactions, for this reason. In almost every instance of a *discount* transaction a *cash* transaction takes place with the *same* person at the *same* time.

This being so, the shortest way of dealing with discounts is to

that in the transactions mentioned on page 67 the following discounts were allowed by or to the trader (the amounts of cash remaining as before) —

		£	s	d	
Jan 10	Allowed to Bradbury Bros	1	4	9	discount
„ 14	Allowed by Proctor & Co	11	0		„
„ 23	Allowed to W Wardle	5	10		„
„ 29	Allowed by Geo Durham & Co	2	0		„
„ 30	Allowed to Taylor & Smith	10	0		„

The Cash Book would be utilised to record the discounts below —

### CASH BOOK

Dr				Cr			

column on the right-hand side of the Cash Book contains the amounts of discounts allowed to the trader, the total is inserted at the end of the month. No "balance" of these two totals is shown, as in the case of cash, but each total is posted to the

### DISCOUNT ACCOUNT

1901		C B	£	s	d		C B	£	s
Jan 31	To sundries	1	2	0	7	Jan 31	By sundries	1	13

The "double entry" is thus completed, the items making up the £2 0s 7d having been posted to the Cr side of "Sundry Personal Account," in the Ledger and to the Dr side of Discount Account—the 13/- having been posted to the Dr side of "Sundry Personal Accounts" and to the Cr side of Discount Account.

If the discount items amount to a substantial sum it is often of advantage to keep two separate Discount Accounts, one for "discounts allowed" and the other for "discounts received."

Occasionally an item of discount is to be recorded when a cash transaction occurs—a small difference may arise between the trader and his customer, which is finally settled by the amount in question being allowed as discount. In that case the item may be entered in the Cash Book in the discount column only.

The Cash Book includes entries of transactions between the trader and his banker.

In the next chapter we shall see how the Cash Book is still further modified in order to deal more conveniently and readily with bank transactions. At present we will record these in the simplest way—i.e., money paid into the bank is entered as a credit "By Bank", money drawn out of the bank entered as a debit "To Bank", and if a "cheque" is drawn and handed over to any person, the item is entered on both sides of the Cash Book, viz., as received *from* the bank, and paid *to* the person.

Goods sold or bought for cash, called "Cash Sales" and "Cash Purchases," are entered in the Cash Book, and posted therefrom to the Sales Account or Purchases Account in the Ledger. If these transactions are of daily occurrence and numerous, they may with advantage be entered separately in a small subsidiary Cash Book, and only the daily or weekly total entered in the

### CASH TRANSACTIONS OF JOSEPH MEREDITH.

1901		£	s	d	
June 1	Cash in hand brought into business by J M	50	0	0	
„ 4	Received from Henry Ashbourne and Sons	6	15	0	allowed dis , 3/6
„ 8	Paid into the Royal Bank	45	0	0	
„ 8	Sold cloth for cash	2	0	0	
„ 8	Paid wages	1	15	0	
„ 10	Paid Ogilvie, Sons & Co by cheque	24	8	0	received dis , £1 5s
„ 11	Drew from bank	10	0	0	
„ 11	Paid to Joseph Meredith	18	0	0	
„ 12	Received from Thos Chambers	10	10	6	allowed dis , 8/4
„ 13	Paid into bank	15	0	0	
„ 14	Sold cloth for cash	6	15	0	
„ 15	Paid wages	1	17	6	
„ 17	Paid Warham Woollen Co Ltd by cheque	12	10	0	received dis , 6/8
„ 18	Received from Scott & Kingsley on account	5	0	0	
„ 22	Sold cloth for cash	4	15	6	
„ 22	Paid wages	1	10	0	
„ 24	Paid into bank	10	0	0	
„ 26	Paid for warehouse furniture by cheque	18	0	0	
„ 29	Sold cloth for cash	12	4	0	
„ 29	Paid rent	6	10	0	
„ 29	Paid wages	1	12	6	

The following is the Cash Book of Joseph Meredith —

# CASH BOOK

Dr		Cr	
1901	1901	1901	1901
me 1 To Joseph Meredith	June 4 By Royal Bank	12	45 0
(Capital A/c) 11	8 " Wages	16	1 15
4 " H Ashbourne	10 " Ogilvie, Sons	7	1 5 0
and Sons 1	and Co	11	24 8
8 " Cash Sales	10 " Joseph Meredith	12	18 0
10 " Royal Bank	13 " Royal Bank	19	15 0
11 " " "	15 " Wages	17	1 17
12 " Thos Chambers	17 " Warham		
14 " Cash Sales	Woollen Co,	8	6 8
17 " Royal Bank	Ltd	16	1 10
18 " Scott & Kingsley	22 " Wages	12	10 0
22 " Cash Sales	24 " Royal Bank	17	18 0
26 " Royal Bank	26 " Furniture	18	6 10
29 " Cash Sales	29 " Rent	16	1 12
	29 " Wages		
	29 " Balance carried		
	down		6 7
11 10 162 10 6		11 11 8	162 10
Led 19		Led 19	
Balance			

## EXERCISE 18

Write up in the Cash Book (according to the examples given page 73) the following transactions of RALPH THORNEYCROFT —

1901		£	s	d	
May 1	Cash in hand at commencement	85	10	6	
" 3	Paid to London City & Midland Bank, Ltd	70	0	0	
" 7	Received from Whithead & Co	24	13	0	allowed dis 12/4
" 8	Paid to James Peacock	31	15	0	received dis 25/
" 11	Sold goods for cash	9	10	3	
" 13	Paid to bank	15	0	0	
" 15	Received from Hy Monteith	3	12	0	
" 17	Paid to Davidson Bros by cheque	46	10	0	received dis 30/
" 18	Paid Eade & Co Ltd	2	7	6	received dis 2/6
" 20	Received from Easthams & Sons	12	3	9	allowed dis 6/3
" 22	Sold goods for cash	1	11	8	
" 25	Paid trade expenses	5	14	3	
" 27	Received from Rawlinson & Sykes	21	10	0	allowed dis 10/6
" 29	Received from Laird & Co	3	15	0	allowed dis -/9
" 30	Sold goods for cash	1	15	4	
" 31	Paid to bank	32	0	0	

# EXERCISE 19

Write up in the Cash Book, balanced monthly, the following transactions of THOMAS WAILES

		£	s	d	
1901					
Jan 1	Cash in hand at commencement	19	15	6	
	Received from Wm Pratt & Sons (on account)	15	0	0	
, 2	Paid to Union Bank, Ltd	15	0	0	
, 7	Received from Jonas Smith	5	2	1	allowed dis 2/7½
, 10	Paid to Keen & Sons by cheque on Union Bank, Ltd	13	8	7	received dis 11/8
	Paid for Petty Cash	5	9	1	
, 11	Received from Union Bank, Ltd	10	0	0	
, 22	Received for cash sales	2	3	11	
	Paid to Union Bank, Ltd	2	3	11	
	Paid to T Gill & Co Ltd	8	7		received dis /3
, 30	Paid for wages	9	5	0	
y 3	Received from Allison Ltd	1	11	2	allowed dis /9
, 9	Received from Hy White & Co	15	16	4	allowed dis 7/3
	Paid to Frundle & Booth by cheque on Union Bank, Ltd	5	2	1	
	Paid to Geo Brayshaw by cheque on Union Bank, Ltd	18	3	4	received dis 9/1
23	Received for cash sales	4	1	8	
29	Received from Wm Mawson	27	13	6	allowed dis 13/9
	Paid Union Bank, Ltd	27	13	6	
31	Paid for Petty Cash	4	3	7	
	Paid for wages	9	5	0	
	Paid J Gunston for quarter's rent	10	10	0	
e 4	Received from Joseph Ely, Ltd	4	9	2	
6	Received from Hy Thompson and Co	17	3	0	allowed dis 8/9
	Received from Jacques & Co Ltd	5	8	0	allowed dis 2/9
7	Paid to Union Bank, Ltd	27	1	11	
	Paid annual subscription to St James's Institute	10	6		
24	Received for cash sales	3	8	11	
	Received from Brown & Co	1	2	3	
	Paid to Thomas Bros, by cheque on Union Bank Ltd	14	16	5	received dis 7/7
	Paid to Pratt & Trees by cheque on Union Bank Ltd	2	1	7	received dis 1/5
	Paid to Hillain, Mathews & Co by cheque on Union Bank Ltd	9	8	2	
30	Paid for wages	9	5	0	
	Cash in hand at close	11	10	5	



## CHAPTER XII

THE CASH BOOK—continued

The Cash Book is frequently used not only to record the receipts, payments, and discount transactions, but also to exhibit in separate columns the account between the trader and his banker. Nowadays, almost every trader has a Banking Account largely in consequence of the growth of the number of banks with branches in outlying districts, the use of cheques as a means of payment has enormously increased, and the greater convenience and safety attendant upon the employment of Banks is more fully recognised.

When Bank transactions are only few in number, the Bank Account may be written up in the Ledger in the same manner as any other personal account, but if the bank transactions are numerous, the labour of posting to the Ledger is avoided by adding two money columns to the Cash Book and keeping the Bank Account in those columns. The form of the Cash Book arranged for this purpose is -

## CASH BOOK

[illegible]

In the money columns the headings are inserted *Dr* and *Cr* in order to show more clearly the use of the columns. Strictly speaking, the title of this book should be now not "Cash

The bank column on the left-hand side is to contain all amounts "paid into the bank," and for which the bank is *Debtor* (including interest allowed by the bank). The bank column on the right-hand side is to contain all amounts "paid by the bank" or "drawn out of the bank" (including interest, commission, &c. *charged* by the bank), and for which the bank is creditor.

If money is paid into the bank out of the cash in hand, it is entered on the *Dr* side (bank column) as *paid to bank*, and so on the *Cr* side (cash column), as *paid by the cash*.

If money is drawn from the bank for the use of *cash*, it is entered on the *Dr* side (cash column) as *paid to cash*, and so on the *Cr* side (bank column) as *paid by the bank*.

The following examples should be compared with the Cash Book shown below as illustrations of the mode of dealing with each kind of transaction.

	£	s	d		£	s	d
1861							
Jan 1 Alfred Darwin commenced with cash in hand	200	0	0				
" 4 Paid into bank	150	0	0				
" 6 Received from Rawson & Glen (which is paid into bank)	76	0	0	discount	4	0	0
" 8 Paid J Metcalfe cheque	58	10	0	discount	1	10	0
" 10 Paid Palmer Bros cash	14	17	6				
" 12 Received from Holt & Sons and paid into bank	35	0	0	discount	2	0	0
" 14 Paid T Greenwood & Co cash	20	0	0	discount	1	0	0
" 15 Drew cash from bank	15	0	0				
" 18 Paid Brooksbank Bros cheque	142	10	0	discount	7	10	0
" 20 Paid for horse, cash	24	0	0				
" 24 Received from Wormald & Son cash	2	10	0	discount	1	6	
" 29 Bank allow interest		2	6				
" 29 Bank charge commission		5	0				

(See Cash Book, p 78)

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## CASH AND BANK ACCOUNTS

1

Explanation of the above entries —

June 1	£200	Cash in hand entered in "cash" column, the money being received by the business
" 4	£150	Entered on <i>both</i> sides—the bank <i>receives</i> , the cash <i>pays</i> (bank Dr, cash Cr)
" 6	£76	The bank <i>receives</i> this (bank Dr)
" 8	£58 10s	The bank <i>pays</i> this (bank Cr)
" 10	£14 17s 6d	The cash <i>pays</i> this (cash Cr)
" 12	£35	The bank <i>receives</i> this (bank Dr)
" 14	£20	The cash <i>pays</i> this (cash Cr)
" 15	£15	Entered on <i>both</i> sides—the cash <i>receives</i> , the bank <i>pays</i> (cash Dr, bank Cr)
" 18	£142 10s	The bank <i>pays</i> this (bank Cr)
" 20	£24	The cash <i>pays</i> this (cash Cr)
" 24	£2 10s	The cash <i>receives</i> this (cash Dr)
" 29	2/6	interest allowed by the bank, and shown in the Bank Pass Book to the credit of Alfred Darwin (bank Dr)
" 29	5/-	commission charged by the bank for working the account, and shown in the Bank Pass Book to the debit of Alfred Darwin (bank Cr)

The entries on June 4th and June 15th are ticked (✓) in the *who* column, which indicates that they are each equalised by the entries on the opposite sides of the Cash Book. All the other entries are to be posted to the Ledger, the items in the bank columns being posted in exactly the same manner as if they had been in the cash column. For example, the entry on June 6th of 76, received from Rawson & Glen, is posted in the Ledger —

### RAWSON & GLEN

By			£	s	d
	June 6	By cash*	76	0	0
	" 6	" discount	4	0	0

When the Cash Book is kept in this form, with bank columns, there is generally no necessity to have any account in the Ledger



## EXERCISE 20

Write up in the Cash Book, with columns for discount, cash and bank the following transactions of URIAH HEPP, balance the cash and bank columns on May 31st

	£	s	d		£	s	d
May 1 Cash in hand	27	15	9				
2 Paid into the Canterbury Bank Ltd	20	0	0				
3 Sold goods for cash	2	9	6				
4 Paid advertisements	4	9					
6 Paid by cheque, W Micawber and Son	15	4	3	discount	5		
7 Received from Steerforth Bros, and paid into bank	18	10	0	discount	1	10	
9 Received from Thos Traddles, cash	3	16	8	discount	3	4	
11 Bought goods for cash	8	10	0				
14 Received from Barkis, Willing and Co	3	18	0	discount	2	0	
18 Paid for Coals	1	10	6				
20 „ to sell (U Heep)	3	15	8				
22 Received from Joseph Creadle	5	17	0	discount	3	0	
„ Received for goods sold	1	15	0				
„ Paid into bank the last two items							
23 Paid Hy Omer & Son, cash	3	0	0				
24 Cash drawn from bank	5	0	0				
27 Paid Spenlow & Jorkins by cheque	18	15	0	discount	1	5	0
31 Paid sundry expenses	2	16	9				

# EXERCISE 21

Write up as in Exercise 20, the transactions of Alfred Maldon balancing the cash and bank columns at the end of each month

1901		£	s	d		£	s	d
m 1	Cash in hand	15	18	3				
" 5	Cash at bank	587	16	2				
" 5	Goods sold for cash	2	18	4				
" 7	Paid for goods by cheque	38	10	0				
" 10	Received from Littimer Bros and paid bank	114	16	2	discount	2	13	
" 14	Paid cheque to Suml Chhillip	85	10	0	discount	4	10	
" 18	Paid Trotwood & Co, cash	4	18	9	discount	0	1	
" 24	Bought goods for cash	5	3	8				
" 26	Paid for fixtures by cheque	55	10	0				
" 30	Cash drawn from bank	30	0	0				
" 31	Paid wages and expenses	27	10	0				
b 2	Paid gas account	1	14	3				
" 5	Paid R Waterbush & Co Ltd cheque	236	0	0	discount	11	15	
" 9	Bought goods for cash	3	18	0				
" 12	Received from Hy Spiker & Sons	7	16	4				
" 16	Paid Walker & Tipp	5	16	0	discount	0	6	
" 19	Sold goods for cash	15	12	9				
" 23	Received from Mell & Sharp and paid bank	49	13	4	discount	2	6	
" 26	Paid Arthur Brooks by cheque	157	10	0	discount	7	15	
" 28	Paid wages and expenses	19	15	0				
u 2	Received from J W Quinon and Co, cash	7	16	0	discount	0	4	
" 4	Received from Walter Gayford and Sons, and paid bank	150	0	0				
" 7	Paid Poor Rate	2	14	9				
" 9	Alf Maldon withdraws by cheque on bank	25	0	0				
" 12	Cheque drawn for office cash	15	0	0				
" 14	Paid agent's commission	12	10	0				
" 18	Bought goods for cash	4	17	6				
" 20	Received from Morland Bros, and paid bank	72	10	0	discount	3	0	0
" 22	Received from T C Crowther	4	2	6	discount	0	2	0
" 26	Sold goods for cash	2	11	10				
" 27	Paid, by cheque, Fire Insurance Premium	7	10	0				
" 30	Received from H W Newhouse	6	3	6	discount	0	6	6

## PETTY CASH BOOK

In most businesses there are frequently small payments cash for incidental expenses, and in a large concern these are very numerous, and are often paid by different persons in the different branches or departments of the business. It therefore becomes inconvenient, if not impossible, to record these petty transactions in the chief Cash Book as they occur, and so the Petty Cash Book is employed for the purpose. There are several systems in vogue, but only the best need be described here, viz the "Imprest System," which is the most convenient for businesses in which the amount spent in petty cash does not vary to any very considerable amount. Say the amount usually required in a month is £20, the cashier pays this sum to the individual who is to have charge of the petty cash, the £20 being entered in the Cash Book

1901	£ s d
Jan 1 By petty cash	20 0 0

and posted to an account in the Ledger as follows -

### THOMAS RITCHIE (petty cashier)

1901	£ s d
Jan 1 To cash	20 0 0

Thomas Ritchie (the person in charge of the petty cash) records the daily expenditure of this money in a Petty Cash Book (p. 84), which is a *record of payments only*. Say that he spends in January £17 15s 9d. On 31st January his book is added up, and the cashier hands to him £17 15s 9d, which is entered in the Cash Book

1901	£ s d
Jan 31 By payments per Petty Cash Book	17 15 9

Thomas Ritchie has now £20 in his hands again, for which he remains debtor as per his Ledger Account, this account remaining



requirements of the business. The £17 15s 9d is posted from the Cash Book either to the "Trade Expenses Account" or, as desired, to the various sub-divisions of that account according to the way the money has been expended.

The following is a form of Petty Cash Book arranged to show the analysis of the payments into "postage," "carriage," "repairs," and "stationery." The number of analysis columns may be increased to any desirable extent. The same procedure may be observed with *each* person (if more than one) who may have the petty cash "in his hands."

### PETTY CASH BOOK THOMAS RITCHIE

Date	Particulars	Amount Paid	Analysis											
			Postage			Carriage			Repairs			Stationery		
		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
1901														
Jan 1	Stamps	10 0	2 10 0											
2	Window Repairing	2 0						2 0						
5	Parcel from Stubbs and Co	7 6				7 6								
"	New Locks and fixing	6 4						6 4						
7	3 Bottles Ink	4 9										4 9		
8	Plumber Gas escape	3 6						3 6						
"	Postal Wrappers	2 10 0	2 10 0											
9	2 Letter Baskets	1 6												
10	Blotting Paper	15 0										15 0		
11	Cash Book	6 0										6 0		
12	Rubber dating Stamps	10 6										10 6		
14	Parcels Post	1 9												
15	Repairing Bells	7 6						7 6						
16	Stamps	1 10 0	1 10 0											
17	Parcel to Hailey, Hull	4 3						4 3						
18	Screws and Nails	2 0						2 0						
19	2 Rulers	1 8										1 8		
21	Parcel from Hall, Wakefield	1 6						1 6						
22	Whitehead, Joiner	1 15 8						1 15 8						
23	Stamps & Post Cards	2 0 0	2 0 0											
24	Parcel to Upper Norwood	6 0						6 0						
25	Foreign Envelopes	3 9												
26	Rawlins, Plumber	13 0						13 0						
28	Parcel to Williams, Huddersfield	2 0						2 0						
29	Directory, 1901	12 6										12 6		
30	Postal Wrappers and Cards	1 0 0	1 0 0											
31	Parcels Post	14 1						14 1						
	Cash Book, for 1901	17 15 9	9 10 0			2 0 1		3 10 0				2 15 8		

In this example it is assumed that Ledger Accounts are opened for postage, carriage, repairs, stationery, the above payments will be posted as follows -

Dr (Fo 24) POSTAGE ACCOUNT (Fo 24) Cr

1901			£	s	d
Jan 31	To Petty Cash	1	9	10	0

(Fo 28) CARRIAGE ACCOUNT (Fo 28)

1901			£	s	d
Jan 31	To Petty Cash	1	2	0	1

(Fo 35) REPAIRS ACCOUNT (Fo 35)

1901			£	s	d
Jan 31	To Petty Cash	1	3	10	0

(Fo 40) STATIONERY ACCOUNT (Fo 40)

1901			£	s	d
Jan 31	To Petty Cash	1	2	15	8

The folio of the Petty Cash Book will then be inserted in the Cash Book opposite the £17 15s 9d on 31st Jan, the above debit entries in the Ledger equalising the one credit entry in the Cash Book

## EXERCISE 22

Write up in a Petty Cash Book the following payments with the analysis columns for "Postage and Stationery," "Carriage," and "Sundry Expenses," showing the totals

1901 Feb 1st G N R carriage, 4/9 2nd, envelopes, 3/6, 4th stamps, 13/ 5th, Painter's bill, 13/9 6th, parcel to Yarmouth, 2/ 7th, letter book, 4/6 8th pens, 1/9 9th, chimney sweep, 2/ 11th, trousers, 1/ 12th, telegram, 9d 13th, Globe Parcel Express, 2/9, 14th advertisement, 3/10, 15th, "Journal of Commerce," 5/ 16th, stamps, 10/ 18th, cash box, 7/6, 19th, parcel to Dover, 4/6, 20th invoice forms, 8/ 21st, foolscap, 3/ 22nd, post cards, 10/ 23rd Mid Rly, carriage, 13/ 25th, firewood, 5/ 26th, advertisement, 3/6, 27th, memorandum book 1/ 28th, parcel to Glasgow, 5/10

## EXERCISE 23

Write up in a Petty Cash Book the following payments, with the analysis columns for "Travelling Expenses," "Carriage," "Postage and Telegrams," "Goods," "Sundry Expenses," showing totals

1901 -- March 1st, goods, 17/8, 2nd, cable to New York, 12/6, 4th stamps, £1. 5th, goods, 15/8, 6th, expenses to Liverpool, £3 10s, 7th & N W Rly, carriage, 19/8 8th, advertisement, 5/ 9th, ledger 17/6 10th, expenses to Birmingham, £2 14s 6d, 12th, stamps, £2, 13th, Postage, 6d, 14th, goods, 14/11, 15th, subscription to Ambulance Fund, 10/6 16th, newspapers, 2/3, 18th, expenses to Leicester, £1 17s 3d, 19th goods, 12/8, 20th, horse shoeing, 4/3, 21st, fire extinguishers, 13/4 22nd, parcel to Southampton, 6/9, 23rd, advertisement, 4/8, 25th, goods 13/ 26th, stamps, £2, 27th, expenses to Nottingham, £2 5s, 28th post cards, 5/ 29th, parcels post, 3/5, telephone trunk calls, 5/3

## CHAPTER XIV

### THE LEDGER

We must turn our attention again to Joseph Meredith's transactions, which we have followed in previous chapters through the books of Original Entry, and observe how the entries are posted into their respective accounts in the Ledger, and how the accounts are "closed."

At this stage we are dealing with the Ledger as one book (Part II the manner of dividing the Ledger into several volumes will be described), and the following points should be noticed in connection with the use of this book

(1) Space should be economised. It is always an inconvenience when a new Ledger has to be opened and the accounts transferred to it from the old one. A good book-keeper will arrange the accounts and the methods of ruling off, &c., as to make the book last twice as long as it would if carelessly kept.

(2) As a general rule *details* of goods sold need not be shown in the Ledger in posting to the customer's account, but in certain cases it is necessary to state the details as given in the Sales Day Book. This is especially the case in a business where a customer, in the habit of ordering goods "as supplied on some previous occasion," he does not always state the exact date of the previous sale, and, therefore, it is probably necessary to refer to several sales to him in order to find exactly what he requires, and the price charged, &c.

(3) Any difference which may arise between the trader and his customer as to discount, returns, packages, overcharges &c., should be looked into and settled without delay. If the difference is allowed to remain undisposed of, the chances of obtaining payment become less and less.

(4) The amount of credit given to a customer (as to whose trustworthiness there may be any doubt) should be carefully watched, and the Ledger should be referred to, before executing a large order from him, to see if he is overstepping the amount considered safe. This is one reason why it is so important that

(5) When a page of the Ledger (say 28) is filled up, and the account is continued on another page later on (say 101), the new folio should be inserted in the index. The totals of the former page should be written in ink (not pencil) and carried forward to the new page.

(6) In posting to the credit side of the Ledger, it is often more convenient to place the book from which the posting is being done on the desk to the right-hand side of the Ledger, or *vice-versâ*. This applies more particularly to the posting from the Cash Book, and helps to prevent posting to the wrong side of the Ledger account.

(7) Scratching out, or altering one figure into another, should be always avoided. If a mistake is made, the neatest way is to draw a line through the wrong figure or figures and re-write the correct amount above.

(8) The folio of the book of original entry should always be inserted with each posting in the Ledger. The nature of the entry as "To goods" or "By cash" sufficiently indicates the book from which the entry comes, so no initials need be written in order to describe such books. When the posting is from the Journal, "J" may be added in the Ledger, as comparatively few entries are Journalised.

(9) The addresses should be shown in the case of personal accounts, and telegraphic addresses or telephone numbers are often usefully noted also. Any definite information affecting the solvency of any customer, such as the fact that he has suffered loss by being a large creditor of some bankrupt, should be carefully noted in red ink, also such items as the death or retirement of a partner in a firm, dissolution of partnership, &c., may be recorded. By attention to these and other similar matters, the Ledger, instead of being a bare record of account, may be made to afford a large amount of information, which can be turned to advantage when required, without loss of time in searching in other quarters.

(10) The Index should be carefully kept, and if the Ledger is a large one, containing many accounts, it is better to have the index *separate*, i.e., not bound up with the Ledger.

If the accounts are very numerous, the Vowel Index arrangement should be used, in order to facilitate the finding of a name.

in six groups, according to the first vowel in the name (after the initial letter) The D page of the index should be entered in for example, as follows -

Daniels Bros	28	Denholm & Co	32
Dartmouth Colliery Co	73	Dewsbury Mill Co	48
Dashwood & Son	140	Derham & Son	54
Dayson, Hy	198		
Dixon, W	41	Donbey & Son	38
Didsbury Co op Society	59	Doncaster Stores, Ltd	46
Dimple, Josh	75	Donaldson, David	78
Diamond, Jas	154	Dodsworth, Thomas	89
		Dorrington & North	95
Dunsford & Sons	23	Dymond, W & Co	81
Du Croix & Fils	25	Dyewood & Co Ltd	93
Durand & Hall	43	Dyson Bros	134

The town may also be inserted if it is found to be more convenient, but the index should not be encumbered with full addresses. Special arrangements of the Ledger and method of classifying accounts in various ways will be explained in Part II

The transactions of JOSEPH MEREDITH, as stated in Chapter VIII to XI are posted to the

### LEDGER

1   Dr HY ASHBOURNE & SONS, 7, Arundel Street, Bradford Cr   1														
1901	1			£	s	d	1	4			£	s	d	
unc	1	To Goods	1	6	16	6	June	4	By Cash	1	6	13	0	
								4	„ Dis	1		3	6	

Dr										MITCHELL & CO, Mayfield Square, Hull										Cr		2
1901										1901												
unc	5	To Goods	1	£	s	d	June	10	By Returns	1	£	s	d	8	4							

Dr										THOMAS CHAMBERS, 3, Cannon Street, Leicester										Cr		3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
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4	Dr		SCOTT & KINGSLEY The Stores Great Yarmouth										Cr	
1901	June 5	To Goods		£	s	d	1901	June 18	By Cash	1		£	s	d
				11	7	0								

5	Dr		DANIEL DAWSON James Square Otley										Cr	
1901	June 12	To Goods	1	£	s	d	1901	June 1	By Returns	1		£	s	d
				31	0	0								

6	Dr		LUCAS BROS 10 Union Road Chesterfield										Cr	
1901	June 30	To Goods	1	£	s	d								
				2	7	6								

7	Dr		OGILVIE SONS & CO Victoria Mills Galtwhirls										Cr	
1901	June 10	To Cash Dis	1	£	s	d	1901	June 4	By Goods	1		£	s	d
				24	0	0								
				1	0	0								

8	Dr		WARHAM WOOLLEN CO Ltd Leeds										Cr	
1901	June 11	To Returns &c	1	£	s	d	1901	June	By Goods	1		£	s	d
	17	Cash Dis	1	15	7	8								
				12	10	0								
				1	6	8								

9	Dr		HAYWORTH BOURNE & SONS Dewsbury										Cr	
							1901	June 20	By Goods	1		£	s	d

10	Dr		DEWITT BROS Cullisle										Cr	
1901	June 30	To Returns &c	1	£	s	d	1901	June 28	By Goods	1		£	s	d
				1	0	0								

11   Dr JOSEPH MEREDITH- CAPITAL ACCOUNT Cr											
1901			£	s	d	1901			£	s	d
June 10	To Cash	1	18	0	0	June 1	By Cash	1	50	0	
						"	" Goods in Stock	1	80	0	

12		THE ROYAL BANK, LIMITED										Cr		13					
Dr																			
1901										1901									
June 4	To Cash	1	45	0	0	June 10	By Cash	1	24	8									
17			1	0	0	11	"		10	0									
21	"		10	0	0	17	"		12	10									
						26	"		18	0									
						29	" Balance down		5	2									
			70	0	0				70	0	0								
June 29	To Balance		5	2	0														

13 SALES ACCOUNT										Cr	13
Dr											
1901			£	s	d	1901			£	s	d
June 29	To Returns In	1	4	15	4	June 29	By Sundries, per S D B	1	82	17	2
						"	" Cash Sales for	14	25	9	6
									108	6	8

14 CASH SALES										Cr	14
Dr											
1901			£	s	d	1901			£	s	d
June 29	To Transfer to Sales A/c for	13	2	9	6	June 8	By Cash	1	2	0	0
						14	"	"	6	10	0
						22	"	"	4	15	6
						29	"	"	12	4	0
			2	9	6				25	9	6

15 PURCHASES ACCOUNT										Cr	15
Dr											
1901			£	s	d	1901			£	s	d
June 29	To Sundries, per P.D.B.	1	70	8	0	June 29	By Returns Out	1	16	11	8
			70	8	0						



18		WAGES ACCOUNT						19	
Dr								Cr	
1901									
June	8	To Cash	1	1	15	0			
	15	" "	"	1	17	6			
	22	" "	"	1	10	0			
	29	" "	"	1	12	6			

17		WAREHOUSE FURNITURE ACCOUNT					Cr	
Dr								
1901								
June 26	To Cash	1	18	0	0			

18		RENT RATES, AND TAXES ACCOUNT					Cr	
Dr								
1901	To Cash, Rent	1	£	6	8	d		
une 09					10	0		

9		DISCOUNT ACCOUNT										Cr	
Dr													
1901													
une	29	To Sundries, C B	1	£	s	d	1901	June	29	By Sundries, C B	1	£	s
					11	10						1	11

Dr		GOODS ACCOUNT					Cr	
1901	To Stock	J	£	s	d			
me		1	80	0	0			

*PROFIT AND LOSS ACCOUNT												2
Dr						Cr						

## CHAPTER XV

### CLOSING THE BOOKS OF JOSEPH MEREDITH.

The Ledger having been posted up to 29th June, 1901, a list of the balances is prepared, as follows —

#### TRIAL BALANCE—29TH JUNE, 1901

	Folio		DR			CR.		
			£	s	d	£	s	d
Ledg'r	2	Mitchell & Co	19	10	6			
	4	Scott & Kingsley	6	7	0			
	5	D Dawson	27	2	0			
	6	Lucas Bros	2	7	6			
	9	Hayworth, Bourne & Sons				9	6	8
	10	Drewitt Bros				6	0	0
	11	Joseph Meredith Capital Account				112	0	0
	12	Royal Bank Ltd	5	2	0			
	13	Sales				103	11	4
	15	Purchases	53	16	4			
	16	Wages	6	15	0			
	17	Warehouse Furniture	18	0	0			
	18	Rent, Rates, and Taxes	6	10	0			
	19	Discount				19	10	
Cash Book	20	Goods A/c Stock, June 1	80	0	0			
	1	Cash	6	7	6			
			231	17	10	231	17	10

This shows that equal amounts have been posted to each side of the Ledger, and subject to the possibility of errors as indicated on page 37, gives a concise summary of the Ledger, in readiness for the preparation of the Profit and Loss Account, and Balance Sheet.

The balances of Sales and Purchases Accounts are now to be transferred to the Goods Account, by Journal Entries (see p 95)

It is assumed that immediately after the close of business on June 29th, the stock has been taken and a list prepared in the

# LIST OF STOCK—29TH JUNE, 1901

Numbers	Yards	Description	Price	Value	
12,457	58	Worsted Coating	3/10	£ 11	8
11,376	74	" "	4/	14	2
	140	Print	1/4	9	6
12,512	20	Box Cloth	5/	5	0
11,958	36	Covert Coating	6/	10	16
14,176	45	Black Vicuna	2/6	5	12
10,124	60	Blue Serge	3/	9	0
		Canvas		3	10
				69	3

The goods in stock are valued either at their cost price, or a lower price if the market value has fallen since they were purchased.

The value of the stock having been ascertained, its amount is entered on the Cr side of the Goods Account. The remaining entries are made as follows:—

Balance of the Goods Account to be carried to the Profit and Loss Account by means of a Journal entry.

Amount of stock to be re-entered on the Dr side of the Goods Account, after closing that account.

Wages, Rent, &c., and Discount Accounts to be closed by carrying their balances to the Profit and Loss Account by means of Journal entries.

Profit and Loss Account to be closed by carrying balance to the Capital Account by means of a Journal entry.

On the 1st June we assume that Joseph Meredith had on hand a stock of goods, value £80. The entry of this item is the only record which is made in the Journal up to the time of closing the books (in this example), the other transactions all having been recorded in their proper books of original entry. After Journal

## JOURNAL

1901			Dr	£	s	d	£	s
June	1	Goods Account	Dr	20	80	0		
		To Joseph Meredith — Capital Account		11			80	0
		For stock of Goods on hand						
	29	Sales Account	Dr	13	103	11	4	
		To Goods Account		20				103 11
		For balance transferred						
	"	Goods Account	Dr	20	53	16	4	
		To Purchases Account		15				53 16
		For balance transferred						
	"	Goods Account	Dr	20	38	18	6	
		To Profit and Loss Account		21				38 18
		For gross profit						
	"	Profit and Loss Account	Dr	21	13	5	0	
		To Wages Account		16				6 15
		„ Rent, &c., Account		18				6 10
	"	Discount Account	Dr	19		19	10	
		To Profit and Loss Account		21				19
	"	Profit and Loss Account	Dr	21	26	13	4	
		To Capital Account		11				26 13
					317	4	4	317 4

After posting the foregoing Journal entries, the Ledger accounts affected by these postings will stand as follows, taken in Impersonal Accounts first:

Dr					GOODS ACCOUNT					Cr				
1901			£	s	d	1901			£	s	d			
ne 1	To Stock	1	90	0	0	June 20	By Sales	1	103	11				
29	" Purchases	"	53	16	4	"	, Stock	"	69	9				
"	" Profit & Loss Account	"	8	18	6									
			172	14	10				172	14	10			
ne 30	To Stock													

16		WAGES ACCOUNT										Cr	
Dr													
1901	June 8	To Cash	1	£	s	d	1901	June 29	By Profit & Loss Account	J	£	s	d
	15	" "	"		1	15				1	6	15	
	22	" "	"		1	17							
	29	" "	"		1	10							
					1	12							

18		RENT, RATES, AND TAXES ACCOUNT										Cr	
Dr													
1901	June 29	To Cash, Rent	1	£	s	d	1901	June 29	By Profit & Loss Account	J	£	s	d
				6	10	0				1	6	10	

19		DISCOUNT ACCOUNT										Cr	
Dr													
1901	June 29	To Sundries	C B	£	s	d	1901	June 29	By Sundries	C B	£	s	d
		" Profit & Loss Account	J		11	10				1	1	11	
			1		19	10							

21		PROFIT AND LOSS ACCOUNT										Cr	
Dr													
1901	June 29	To Wages	J	£	s	d	1901	June 29	By Goods A/c	J	£	s	d
		" Rent	1	6	15	0			Gross Profit	1	38	18	
				6	10	0			" Discount			19	1
				13	5	0							
		" Capital A/c											
		Nett Profit		26	13	4							
				39	18	4					39	18	

11		JOSEPH MEREDITH - CAPITAL ACCOUNT										Cr	
Dr													
1901	June 10	To Cash	1	£	s	d	1901	June 1	By Cash	C B	£	s	d
	29	" Balance down		18	0	0				1	50	0	0
				138	13	4			" Goods	J	80	0	0
									" Profit & Loss Account		26	13	4
											156	13	4
				156	13	4							
									June 29 By Balance		138	13	4

The student who has carefully followed these transactions to the point of closing the books, may inquire why the closing entries are not made directly from one account, e.g., the Wage account, to the Profit and Loss Account, instead of being passed through the Journal. The answer is, that whilst in a simple case of few transactions such as the one under consideration, the Journal might be dispensed with, yet its use tends to reduce the risk of omitting a posting, and the slight additional labour involved is generally more than compensated for by the increased security against such omissions—its use also facilitates the discovery of any error which may cause a “difference” or “disagreement” in the Trial Balance.

The transfer entry from the Cash Sales Account to the Sales account is an example of “direct entry” without the use of the Journal, these being really portions of the same account. In any case, however, be taken as a safe rule to Journalise *every* transfer in actual practice.

Referring to the Trial Balance, and noting the accounts which have been closed, we find that the remaining accounts are those representing the liabilities and assets of the business—the balances are shown in the Balance Sheet in the following form—

## JOSEPH MEREDITH

### BALANCE SHEET, 29TH JUNE, 1901

LIABILITIES						ASSETS						
£	s	d	£	s	d	£	s	d	£	s	d	
Creditors —						By Debtors —						
ay worth, Bourne	9	6	8			Mitchell & Co	19	10	6			
and Sons						Scott & Kinglevy	6	7	0			
ewitt Bros	6	0	0	15	6	D Dawson	27	2	0			
						Lucas Bros	2	7	6	5	7	0
Capital Account				138	13	4	By Cash —					
						Royal Bank Ltd	5	2	0			
						In hand	6	7	6	11	9	6
						By Warehouse						
						Furniture				18	0	0
						By Stock of Goods				69	3	6
				154	0	0				154	0	0

The preparation of the Balance Sheet is the final step in Double Entry Book-keeping nothing further remains to be done in the Ledger, and the Accounts remain in their present state until entries of July transactions are posted

The Student who has perused these chapters and worked out the various exercises carefully, will, it is hoped, have obtained a good idea of the Theory and Practice of Book-keeping, and will have little difficulty in following the more complex matters which will come in account in the subsequent stages. In applying to practice the knowledge he may have gained, he should keep in mind the three things to be remembered —

*Accuracy*

*Promptitude*

*Neatness*

the greatest of which is --

**ACCURACY.**

## EXERCISE 24

Write up in the Cash Book, Sales and Purchases Day Books, an Journal the following transactions of George Hilton. Post to Ledger prepare Trial Balance Profit and Loss Account, and Balance Sheet at the February, 1901

1901		£	s	d
Jan 1	Cash at commencement	8	7	6
„ 10	Bought goods of W Musgrave & Co	17	10	0
„ 17	Sold goods to J Saunders	3	18	4
„ 22	Bought goods of W Musgrave & Co	2	6	8
„ 30	Paid trade expenses		15	6
„ 30	Paid wages	3	10	0
„ 30	Sold goods to J Saunders	9	11	0
Feb 6	Sold goods for cash	1	3	9
„ 11	Bought goods of L C Jarvis	6	8	2
„ 12	Paid rent	2	15	0
„ 16	Sold goods to H Naylor & Sons	4	19	6
„ 18	Sold goods to J Saunders	1	6	5
„ 20	Received cash from J Saunders	14	15	9
„ 23	Bought goods of L C Jarvis	4	17	8
„ 23	Paid cash to L C Jarvis	11	5	10
„ 25	Bought goods for cash		16	11
„ 25	Bought goods of W Musgrave & Co	1	19	8
„ 26	Sold goods to H Naylor & Sons	26	6	2
„ 28	Paid wages	3	10	0
„ 28	Paid trade expenses		18	0
„ 28	No stock on hand			



# EXERCISE 25

Write up in the Cash Book, Sales and Purchases Day Books, and Journal the following transactions of Wm Hy Meadows. Post to Ledger, prepare Trial Balance, Profit and Loss Account, and Balance Sheet 30th March, 1901

1901		£	s	d		£	s	d
Jan 1	Cash, £15 10s, and stock, £38 16s 8d, at commencement							
" 5	Sold goods to Jardine & Sons	6	2	3				
" 7	Bought goods for cash	1	11	6				
" 9	Bought goods of T. Milnes & Co	9	4	2				
" 12	Sold goods to F. & S. Read	14	19	6				
" 28	Sold goods to Jardine & Sons	5	0	9				
" 28	Paid trade expenses	1	10	0				
" 31	Paid wages	5	15	0				
Feb 1	Paid rent	3	6	8				
" 2	Sold goods to F. & S. Read	17	2	6				
" 2	Bought goods of T. Milnes & Co	10	10	0				
" 6	Received cash of F. & S. Read	30	10	0	discount	1	12	0
" 11	Sold goods for cash	2	3	6				
" 13	Bought goods of John Hill & Son	11	9	2				
" 15	Paid cash to T. Milnes & Co	19	4	6	discount		9	8
" 16	Bought goods of B. Rhodes & Co	7	2	2				
" 20	Sold goods to Jardine & Sons	9	1	8				
" 22	Received (on account) from Jardine & Sons	10	0	0				
" 28	Bought goods of John Hill & Son	2	6	3				
" 28	Paid wages	5	15	0				
Mar 8	Sold goods to S. & B. Widdop	4	8	9				
" 11	Paid trade expenses	2	5	0				
" 15	Received cash of S. & B. Widdop	4	4	6	discount		4	3
" 19	Sold goods to Jardine & Sons	1	18	6				
" 20	Paid cash to John Hill & Son	13	9	0	discount		6	5
" 23	Received cash of Jardine & Sons	11	17	0	discount		6	2
" 29	Paid wages	5	15	0				
" 30	Stock on hand	48	2	6				

# EXERCISE 26

Write up in the Cash Book, Sales and Purchases Day Books, Return Books, and Journal the following transactions of Robert Caldecott. Post to Ledger, prepare Trial Balance, Profit and Loss Account, and Balance Sheet at 30th March, 1901.

1901		£	s	d		£	s	d
Jan 1	Cash, £15 18s 6d, and stock, £42 8s 9d, at commencement							
" 8	Sold goods to S. Ridsdale & Co	7	8	2				
" 18	Sold goods for cash	1	10	3				
" 20	S. Ridsdale & Co return goods	16	6					
" 24	Bought goods of Joshua Firth Ltd	16	13	8				
" 26	Sold goods to S. Ridsdale & Co	23	8	7				
" 31	Paid wages	5	2	6				
" 31	Paid trade expenses	15	3					
Feb 1	Sold goods to F. Durant & Co	9	16	0				
" 2	Received from S. Ridsdale & Co	29	5	0	discount	15		
" 2	Paid into County Bank, Ltd	29	5	0				
" 6	Bought goods of L. R. Simpson and Co	10	8	2				
" 8	Bought goods for cash	1	8	6				
" 11	Paid (by cheque on bank) Joshua Firth, Ltd	16	5	6	discount	8	2	
" 11	Returned goods to L. R. Simpson and Co	1	2	8				
" 20	Sold goods to Richards & Co	18	8	9				
" 23	Sold goods to F. Durant & Co	4	7	6				
" 23	Richards & Co return goods	2	5	6				
" 28	Paid wages, £5 2s 6d, trade expenses, 15s 3d							
Mar 2	Received (and paid into bank) from F. Durant & Co	10	0	0				
" 9	Bought goods of Joshua Firth, Ltd	8	5	2				
" 12	Paid cheque to L. R. Simpson and Co	9	1	0	discount	4	6	
" 18	Sold goods to S. Ridsdale & Co	14	12	8				
" 23	Returned goods to Joshua Firth, Ltd	1	6	0				
" 30	Paid wages, £3, trade expenses, 14s							
" 30	Stock on hand	34	10	0				

# EXERCISE 27

Write up in the Cash Book (with Bank Account in separate columns and Purchases Day Books, Returns Books, and Journal the following transactions of James Thornbury. Post to Ledger, prepare Trial Balance, Profit and Loss Account, and Balance Sheet at 30th September, 1901

	£	s	d	
1901				
by 1 Cash, £18 11s 6d, and stock, £51 1s 3d, at commencement				
, 6 Sold goods to Vinter, Son & Co	18	0	10	
, 9 Vinter Son & Co return damaged goods	3	3	0	
, 13 Bought goods of Jacob Morand	7	18	8	
, 18 Sold goods to Earle's Central Stores, Ltd	9	15	2	
, 26 Sold goods to Vinter, Son & Co	15	12	9	
, 27 Received cheque from Vinter Son & Co (paid cheque to Midland Bank)	29	0	0	discount 1 10
28 Bought goods for cheque on bank	2	2	9	
31 Paid for wages, £2 15s 6d, trade expenses, £1 2s 4d				
5 6 Bought goods of Jacob Morand	10	10	5	
8 Returned goods to Jacob Morand	3	6	6	
12 Paid for rent by cheque	3	2	6	
17 Sold goods to Earle's Central Stores, Ltd	12	19	1	
20 Earle's Central Stores, Ltd, return damaged goods	1	5	6	
26 Sold goods for cash	3	8	6	
26 Bought goods of Jacob Morand	6	3	1	
29 Paid cheque to Jacob Morand on account	15	0	0	
31 Paid wages, £3 2s 6d, trade expenses, 18s 3d				
2 Received cheque from Earle's Central Stores, Ltd (and paid into bank)	20	18	0	discount 10 9
6 Paid subscription to Victoria Memorial Fund by cheque	1	1	0	
10 Bought goods of Everton & Co	17	8	4	
12 Sold goods to Wilmot & Sons	45	2	1	
12 Returned goods to Everton & Co	1	5	2	
13 Wilmot & Sons return goods	2	5	7	
20 Sold goods for cash	4	5	9	
21 Paid rent	3	2	6	
25 Paid Jacob Morand	5	13	0	discount 12 8
30 Paid wages, £2 17s 6d, trade expenses, £1 2s				
30 Paid into bank £5 out of office cash				
31 Stock on hand	52	12	9	

# ACCOUNTS

## SUPPLEMENTARY EXERCISES

### PART I

#### A.

Work out the calculations and write up in a Sales Day Book the following sales of Graylock Bros, Leather Factors —

Aug 5th, 1903, W Bradbury & Son, 5 tons American splits @ 9d per lb  
Aug 10th, British Boot Co, 5 cwts satin kip sides @ 1/4 per lb  
Aug 13th, 20 bales, each containing 4 cwts 2 qrs best pine creek sides @ 10½ per lb  
Aug 17th, Parker, Lyon & Co Limited, 50 rolls, of 12 in each, glove hide, @ 4½ per foot  
Aug 19th, Taylor & Hill, 10 cwts satin kip shoulders @ 1/11 per lb  
Aug 20th, Paul Ryan, 10 bales, each containing 5 cwts 1 qr Australian sides @ 8 per lb  
Aug 24th, Seamless Shoe Co, 20 rolls, of 20 yds each, American satin @ 15½ per lb  
Aug 28th, Harvey, Carter & Co, 5 cwts Levant hide @ 1 per lb  
Aug 31st, Driver & Dixon, 1 ton Singapore sides @ 7½ per lb

#### B.

Work out the calculations and write up in a Sales Day Book the following sales of Perkin, Pratt & Co, Wholesale Chemists.—

Nov 2nd, 1903, Chas Pease, 7 galls fine olive oil @ 4/6, bottle 3/4  
Nov 5th, Thos Mappin, 14 lbs pulv sod carb @ 47/6 per cwt, 10 galls dark carbolic acid @ 1/6, bottle 1/2  
Nov 10th, Holden Bros, three 20 feet cylinders, oxygen gas @ 1/6 per foot, less 25%  
Nov 13th, Franklin & Son, 1 oz chloroform @ 4/6 per oz, bottle 2d  
Nov 14th, Wm Sheldon, 5 gross 3 oz short vials @ 12/ per gross, 6 doz infants' food @ 9/3 per doz, less 10%, case 1/-  
Nov 24th, Alex Giese, 3 gross aseptic swabs @ 1/2 per doz  
Nov 29th, Thos. Mappin, 14 oz carbolic acid @ 11d per lb, bottle 4d, 5 sixpence soft soap

### C.

Write up a Cash Book from these particulars, showing balance in hand at the end of the month —

1903		£	s	d
July 1	Cash in hand	112	14	6
" 2	Received cash from Hartly Bros	45	19	10
" 3	Cash sales for week	39	11	8
" 4	Paid Wood & Son	98	12	3
" 6	Bought goods for cash	28	11	11
" 6	Received cash from Barker & Bell	59	16	7
" 9	Paid Carter & Co Ltd	17	14	2
" 9	Wages paid	14	6	9
" 10	Cash sales for week	45	14	1
" 12	Rent paid	50	0	0
" 14	Received cash from Hartley Bros	98	10	6
" 14	Paid Rupert & Son Ltd	145	9	6
" 16	Wages paid	15	11	0
" 17	Cash sales for week	89	11	6
" 20	Paid Carter & Co Ltd	19	17	2
" 22	Paid fire insurance	25	6	8
" 23	Paid wages	16	8	0
" 24	Cash sales for week	96	0	1
" 27	Paid Wood & Son	51	11	9
" 30	Received cash from Barker & Bell	68	11	3
" 31	Paid Telephone Co	10	0	0
" 31	Paid joiner for repairs	19	8	6
" 31	Paid sundry trade expenses	18	3	9

### D.

Write up the following transactions in a Cash Book, showing discounts, and balancing the book at the end of each month —

903		£	s	d		£	s	d
July 1	Cash in hand	35	14	6				
" 3	Paid Tilbury & Co Ltd	21	9	6	discount	1	2	0
" 5	Cash sales	14	19	9				
" 16	Paid wages	18	19	3				
" 20	Received cash from J Fier							
	and Co	23	15	0	discount	1	5	0
" 28	Paid wages	15	9	2				
" 31	Paid trade expenses	5	3	1				
" 3	Bought goods for cash	10	11	3				
" 5	Cash sales	19	14	2				
" 10	Received cash from Hirst Bros	66	14	9	discount	3	10	3
" 15	Paid rent	18	6	8				
" 18	Paid wages	21	9	1				
" 19	Received cash for horse sold	35	0	0				

1903		£	s	d		£	s	d
Dec 2	Paid cash to Hinde & Co	38	6	8	discount	2	0	
, 5	Cash sales	45	11	8				
, 8	Received cash from J Freer and Co	34	12	3	discount	0	17	
, 14	Paid wages	19	3	4				
, 19	Took for private expenses	10	0	0				
, 27	Paid Tilbury & Co Ltd	31	7	0	discount	1	13	
, 31	Paid Trade expenses	7	9	2				

## E

Write up the Cash Book, with columns for Discount, Cash, and Bank. Show balance in hand and state of Bank Account at the end of the month —

1903		£	s	d		s	d
Aug 1	Cash in hand	5	10	3			
, 1	Cash at bank	25	6	8			
, 3	Received cash from W Johnson	10	9	4	discount	11	0
, 4	Bought goods for cash	8	7	6			
, 6	Paid Dobson Bros by cheque	14	11	7	discount	15	5
, 7	Received postal order from Evans Ltd	15	0				
, 9	Paid wages	3	10	2			
, 11	Received cheque from Wilson and Ryan	15	11	6	discount	16	6
, 14	Paid to bank	16	6	6			
, 17	Drew cash from bank	10	0	0			
, 20	Paid sundry expenses	3	9	2			
, 23	Paid wages	3	18	0			
, 25	Paid Hy Carr & Son by cheque	6	2	3	discount	11	9
, 26	Cash sales	4	9	2			
, 28	Withdrew cash for private use	5	0	0			
, 28	Paid rent by cheque	3	5	0			

## F.

Write up Cash Book, with columns for Discount, Cash, and Bank. Show balance in hand and state of Bank Account at end each month

1903		£	s	d		£	s	d
Oct 1	Cash in hand	9	7	4				
, 1	Cash at bank	23	14	6				
, 3	Received cash from J King	15	11	8	discount	0	15	8
, 6	Sold goods for cash	35	8	9				
, 9	Paid cash to bank	40	0	0				
, 12	Paid cheque to Thos Hearne	29	14	6	discount	1	12	0
, 18	Sold goods for cash	40	9	2				
, 24	Paid cash to bank	30	0	0				
, 26	Paid rent by cheque	20	0	0				
, 31	Withdrew from bank for office cash	25	0	0				

1903		£	s	d		£	s	d
Nov 1	Sold goods for cash	49	18	3				
" 4	Received cheque from W Barlow & Son	27	8	9	discount	1		
" 6	Paid to bank	50	0	0				
" 10	Bought horse and cart for cheque	45	10	0				
" 15	Received cash from J King	32	11	11	discount	1	1	
" 19	Sold goods for cash	52	9	1				
" 22	Paid to bank	50	0	0				
" 25	Bought goods for cash	23	12	2				
" 30	Paid cheque to Thos Hearne	60	11	0	discount	8	6	
" 30	Paid wages	23	1	3				
Dec 6	Sold goods for cash	39	4	4				
" 10	Received cash from W Barlow & Son	69	14	3	discount	3	12	
" 13	Paid cash to bank	100	0	0				
" 18	Paid interest on mortgage loan by cheque	36	3	6				
" 24	Withdrew from bank for office cash	35	0	0				
" 26	Paid sundry Xmas boxes	5	0	0				
" 31	Paid wages	25	8	6				

## G.

Enter up the Ledger Account of Alfred Marchant as  
ould appear in B & D Wilmot's books --

1903		£	s	d
Aug 3	B & D W sell to A M goods	18	16	8
" 7	Do do do	5	3	6
" 10	A M returns goods	2	0	6
" 12	B & D W buy from A M goods	29	12	0
" 14	Do pay cash to A M and deduct discount	28	17	2
" 17	A M buys from B & D W goods	8	2	9
" 19	A M pays cash to B & D W	21	19	8
" 20	B & D W sell to A M goods	12	0	0
" 24	A M sells to B & D W goods	3	12	10
" 26	B & D W return to A M do	1	0	0
" 28	A M buys from B & D W do	31	11	3
" 31	B & D W receive cash from A M	49	1	2
Sept 5	B & D W sell to A M goods	18	16	0
" 9	A M buys from B & D W goods	7	14	2
" 10	A M returns to B & D W do	2	18	3
" 17	A M pays to B & D W	23	0	0
" 17	A M deducts discount		11	11
" 23	A M sells to B & D W goods	12	12	0

## H

Barwell Bros have the following transactions with Joh Drury White up Drury's account in their Ledger, ruling on the items balance

1903		£	s	d
Dec 3	B Bros buy goods	63	16	7
„ 5	J D sells goods	11	1	6
„ 5	B Bros return goods	2	11	0
„ 8	Do buy goods	21	4	9
„ 10	Do pay cash	50	0	0
„ 12	Do sell goods to J D	3	16	0
„ 12	J D pays cash	3	16	0
„ 17	Do sells goods	8	8	0
„ 22	Do buys from B B goods	12	2	8
„ 22	Do returns goods	1	2	6
„ 31	B B pay to J D	40	19	8
1904				
Jan 1	B B buy goods	18	11	0
„ 3	J D sells goods	27	17	6
„ 4	Do receives cash	18	11	0
„ 7	B B return goods	2	0	0
„ 20	J D buys goods	5	6	5
„ 27	B B sell do	12	7	
„ 31	Do pay cash	19	18	0

## I

Record in Cash Book and Ledger the transactions of Wm Winston Prepare Trial Balance, Profit and Loss Account, and Balance Sheet Use Journal for closing entries

1904		£	s	d
Jan 1	W Winston commenced business and paid £100 into the City Bank Ltd			
„ 2	Bought goods and paid by cheque	37	16	8
„ 5	Sold goods for cash	10	11	3
„ 7	Do do	7	15	10
„ 7	Paid to bank	15	0	0
„ 11	Paid sundry expenses		12	6
„ 16	Bought goods and paid by cheque	26	0	0
„ 25	Sold goods for cash	31	18	6
„ 30	Paid to bank	25	0	0
„ 30	Paid wages	2	10	0
„ 30	Paid rent	2	13	4
Feb 3	Sold goods for cash	12	3	9
„ 4	Bought goods for cash	10	0	0
„ 9	Bought goods, paid by cheque	42	11	8
„ 11	Sold goods and received cheque / paid into			



1904		£	s	d
Feb 13	Sold goods for cash	9	3	1
„ 17	Do do	14	14	0
„ 18	Paid to bank	20	0	0
„ 20	Sold goods and received cheque (put into bank)	33	13	1
„ 27	Paid wages	3	0	0
„ 27	Paid rent	2	13	4
	No stock on hand			

## J

Record in Cash Book, Sales Day Book, and Ledger, transactions of Thomas Atkinson Prepare Trial Balance, Profit and Loss Account, and Balance Sheet Use Journal for opening and closing entries

1903		£	s	d	£	s
Dec 1	Stock on hand	156	9	8		
„ 1	Cash in hand	5	11	6		
„ 1	Cash at bank	69	7	8		
„ 1	Due from Hy Sheard	49	12	6		
„ 3	Bought goods for cheque	25	19	5		
„ 4	Received cheque on account from Hy Sheard	30	0	0		
„ 4	Paid to bank	30	0	0		
„ 5	Sold goods to Thos Newman	28	11	8		
„ 6	Drew cash from bank	10	0	0		
„ 7	Paid wages	8	15	9		
„ 10	Sold goods for cash	22	1	9		
„ 10	Received cheque from Hy Sheard	15	7	9	discount	1 4
„ 11	Sold goods to Thos Newman	25	13	7		
„ 12	Bought goods for cash	40	0	0		
„ 13	Received cheque from Thos Newman	27	3	0	discount	1 8
„ 14	Paid to bank	27	3	0		
„ 14	Drew cash from bank	20	0	0		
„ 14	Paid wages	8	5	0		
„ 17	Sold goods to Hy Sheard	39	1	4		
„ 18	Paid rent by cheque	20	0	0		
„ 19	Paid trade expenses in cash	5	6	8		
„ 20	Withdrew cash for private use	6	0	0		
„ 21	Drew cash from bank	15	0	0		
„ 21	Paid wages	9	1	0		
„ 23	Sold goods to Thos Newman	30	1	6		
„ 27	Received cash from Thos Newman	24	8	0	discount	1 5
„ 28	Paid wages	6	9	0		
„ 28	Paid trade expenses in cash	8	12	3		

## K.

From the following Trial Balance at 31st December, 1903 prepare Profit and Loss Account and Balance Sheet of Charles Donaldson —

Charles Donaldson—Capital a/c as at 1st July, 1903		£	s	d	£	s	d
					2,735	9	
Land and buildings a/c		1	860	0 9			
Fixtures and furniture a/c			473	2 0			
Horses and carts a/c			79	10 3			
Goods a/c					1,819	13	
Salaries and wages a/c			326	1 9			
Carriage a/c			105	3 3			
Trade expenses a/c			315	6 9			
Rates and taxes a/c			78	15 3			
Printing, stationery, and advertising a/c			45	9 6			
Discount a/c			83	4 9			
Debtors, per ledger		2,781	0 9				
Creditors per ledger					1,692	11	
Cash in bank			85	6 6			
Cash in hand			14	13 6			
			<u>6</u>	<u>247 15 0</u>		<u>6</u>	<u>247 15</u>
Value of stock on hand, 31st December, 1903					£649	3	

## L.

From the following Trial Balance, prepare Profit and Loss Account and Balance Sheet of Frederick Howarth —

### TRIAL BALANCE, 31st DECEMBER, 1903

	£	s	d	£	s	d
Capital a/c				2460	10	0
Furniture and fixtures a/c	1240	10	0			
Horses and carts a/c	160	5	6			
Wages a/c	320	18	4			
Rent a/c	100	0	0			
Rates a/c	33	6	8			
Trade expenses a/c	49	4	6			
Horse keep a/c	65	12	1			
Losses a/c				4380	11	4
Stock, Jan 1st, 1903	641	12	2			
Debtors per Ledger	1206	9	1			
Discount a/c				59	12	8
Cash	21	9	4			
Creditors, per Ledger				595	5	5
Bank	705	9	6			
Purchases a/c	2951	2	9			
	<u>7495</u>	<u>19</u>	<u>11</u>		<u>7495</u>	<u>19 11</u>

## M.

Record the following transactions of Alfred Heinrich means of Journal, Cash Book, and Sold and Bought Day Book to Ledger, and make out Trial Balance, Profit and Loss Account, and Balance Sheet —

1903		£	s	d
Jan	1	Cash in hand	17	15 3
"	1	Cash in bank	186	17 9
"	1	Goods in stock	349	13 11
"	8	Sold to Wells & Son—goods	19	16 3
"	12	Bought of Brown Bros—goods	24	19 1
Feb	1	Wells & Son pay £19 10s—discount, 6s 3d		
"	3	Paid to bank	10	0 0
Mar	6	Drew cheque for Brown Bros	12	0 0
"	13	Sold to Chas Carr—goods	34	15 1
"	31	Received cash for goods	2	10 0
Apr	4	Bought goods of D Dixon	86	2 9
"	18	Alfred Heinrich withdraws cash	20	0 0
"	28	Received from Carr and paid to bank £33—allowed discount, £1 15s 1d		
May	9	Wells & Son buy goods	96	14 3
"	25	Wells & Son pay cash	40	0 0
June	6	Paid Brown cash, £12 10s—discount, 9s 1d		
"	14	Paid Dixon cash, £10, and cheque on bank, £30		
"	23	Drew cheque for rent, £25		
"	23	Cash paid, sundry expenses, £14 17s 3d		
"	30	Stock, £400		

## N.

Record in Journal, Cash Book, Sales and Purchases Books, and Ledger the transactions of Joseph Dixon Prepaial Balance, Profit and Loss Account, and Balance Sheet

Jan	1	Joseph Dixon receives a legacy of £1,000 and commences business by paying that sum into Lloyds Bank, Ltd	H
"	2	Drew cheque, £50, for warehouse furniture	
"	2	Do £50, for office cash	
"	3	Paid wages, £8 16s	
"	5	Bought goods from Bousfield, Clark & Co, £200	
"	7	Sold goods to Connor Bros, £8 16s 9d	
"	10	Cash sales, £46 18s 7d, paid wages, £10 14s	
"	14	Bought goods from Bousfield, Clark & Co, £26 17s 2d	
"	16	Do Earle & Co, £26 15s 9d	
"	17	Paid bank, £70	
"	17	Cash sales, £54 12s 8d, paid wages, £10 12s 6d	
"	20	Bought goods from Bousfield, Clark & Co, £185 13s 4d	
"	24	Cash sales, £53 8s 11d, paid wages, £10 11s 8d	
"	31	Do £61 19s 7d do £10 13s	

Feb 3	Sold goods to Connor Bros ,	£3 15s 2d	
„ 3	Bought goods from Bousfield, Clark & Co ,	£153 10s	
„ 7	Cash sales,	£56 14s 8d ,	paid wages, £11
„ 14	Do	£59 12s 8d ,	do £11 10s
„ 16	Bought goods from Bousfield, Clark & Co ,	£95 18s 10d	
„ 17	Received from Connor Bros ,	Cash, £8 8s ,	allowed discount 8s 9d
„ 20	Bought goods from Earle & Co ,	£89 16s	
„ 21	Paid rates,	£18 10s ,	by cheque
„ 21	Cash sales,	£64 13s 5d ,	paid wages, £11 5s
„ 28	Do	£66 9s 7d ,	do £11
„ 28	Paid bank,	£150	
Mar 4	Sold goods to Connor Bros ,	£5 17s 9d	
„ 7	Do	Earle & Co ,	£1
„ 7	Cash sales,	£68 7s 9d ,	paid wages, £10 15s
„ 14	Do	£59 9s 5d ,	do £11
„ 21	Do	£58 5s 9d ,	do £10 17s 6d
„ 21	Paid Bousfield, Clark & Co ,	cash, £195 (discount £5)	
„ 26	Drew cheque for Earle & Co ,	£25, discount, 15s 9d	
„ 28	Received from Connor Bros ,	cash, £3 13s 6d ,	discount allowed, 1s 8d
„ 28	Cash sales,	£60 12s 3d ,	paid wages, £10 10s
„ 28	Drew cheque for quarter's rent,	£30	
„ 30	Bought warehouse and paid cheque	£900 for same	
	Stock, March 30,	£300	

# O

Record in Journal, Cash Book, Sales and Purchases Books, and Ledger the transactions of Oliver Sherwood Preparing a Trial Balance, Profit and Loss Account, and Balance Sheet

03		£	s	d		£	s	d
1	Cash in hand	11	9	6				
1	Stock of goods on hand	53	8	4				
5	Sold goods to York & Son	7	12	9				
6	Bought goods from Milner Bros	14	8	6				
7	Sold goods to Thos Hart	19	10	11				
11	Sold goods to York & Son	10	6	9				
14	Received cash on account from York & Son	12	0	0				
15	Sold goods to Thos Hart	8	14	4				
18	Bought goods from Winston and Co.	5	9	10				
20	Received cash from T Hart	26	17	0	discount	1	8	0
23	Paid Milner Bros cash	14	1	0	discount	0	7	6
25	Paid expenses	4	4	2				
27	Sold goods to York & Son	11	9	9				
28	Paid wages	5	8	6				

1903		£	s	d		£	s
Jan 5	Received cash from York and Son	16	14	6	discount	0	14
" 7	Sold goods to T Hart	15	11	3			
" 15	Bought goods from Winston and Co	6	8	2			
" 18	Sold goods for cash	5	9	10			
" 21	Bought goods from Milner Bros	13	1	10			
" 24	Paid cash to Winston & Co	11	0	0	discount	0	18
" 31	Paid expenses	3	9	6			
" 31	Paid Wages	5	14	0			
" 31	Withdrew cash for private use	5	0	0			
" 31	Paid rent	4	0	0			
" 31	Stock in hand	69	7	6			

## P.

Record in Journal, Cash Book, Sales and Purchases Book, Returns Book, and Ledger the transactions of Jamieson

Prepare Trial Balance, Profit and Loss Account, and Balance Sheet

1903		£	s	d		£	s
Jan 2	Cash at County Bank, Ltd	157	18	6			
" 2	Cash in hand	12	3	6			
" 2	Stock in hand	63	7	0			
" 3	Sold goods to Jno Kerr	42	10	10			
" 4	Jno Kerr returned goods	2	0	0			
" 4	Bought goods of Dale & Young	11	0	6			
" 8	Do for cash	5	3	0			
" 10	Received cash from Jno Kerr	38	10	0	discount	2	0
" 11	Paid to bank	40	0	0			
" 15	Paid trade expenses	13	6				
" 16	Bought goods of T Willis	27	17	7			
" 16	Sold goods to Wm Alford	31	9	0			
" 17	Do for cash	6	0	0			
" 18	Paid cheque to Dale & Young	11	0	0	discount	0	0
" 22	Sold goods to Price & Co	27	7	0			
" 23	Received cheque on a/c from Wm Alford	20	0	0			
" 25	Bought goods of Dale & Young	50	16	9			
" 26	Returned to Dale & Young, goods	10	6	0			
" 26	Paid rates	3	3	0			
" 28	Bought goods for cash	1	10	0			
" 28	Sold goods to G R Dyer	26	1	6			
" 28	Received cash from W Alford	10	13	3	discount	0	15
" 29	Dyer, returned goods	2	3	0			
" 29	Paid cheque to T Willis	27	4	0	discount	0	13

1903		£	s	d
Sept 20	Received cash from Price & Co			
	on a/c	25	0	0
„ 29	Sold goods to C & A Chapin	16	16	0
„ 30	Paid wages	7	3	6
„ 30	Do trade expenses	1	10	0
„ 30	Do to bank	15	0	0
„ 30	Withdrew	15	0	0
„ 30	Stock on hand	68	0	0

## Q

### WILLIAM LAND'S BALANCE SHEET, 1ST JANUARY, 1903

<i>Liabilities</i>				<i>Assets</i>			
	£	s	d		£	s	d
Hey & Co	30	10	6	Hy Day	79	11	
Rose & Son	52	17	3	Strong & Co	44	13	
County Bank	38	7	3	Horses and carts	78	15	
Capital, W Land	1,334	7	6	Office furniture	37	16	
				Stock	1,395	6	
				Petty cash in hand	20	0	
	£1,656	2	6		£1,656	2	6

In accordance with the above Balance Sheet open a set of books, and write them up from the following information —

Copy Invoice Book shows that the following goods have been sent away —

	£	s	d		£	s	d
Jan 5 Hy Day	36	9	4	Jan 20 Hy Day	56	19	9
„ 8 Hy Day	21	7	8	„ 24 Strong & Co	32	9	4
„ 15 Strong & Co	45	17	3	„ 29 Strong & Co	42	8	6

The invoices received during the month are —

	£	s	d		£	s	d
Jan 12 Hey & Co	256	12	8	Jan 20 Rose & Son	12	19	9
„ 17 Rose & Son	39	4	2	„ 29 Hey & Co	19	8	1

A credit note was received from Hey & Co on Jan 15th for £4 3s 5d for goods sent back

The counterfoil Receipt Book gives the following particulars —

- No 39 Jan 12 Hy Day, cash, £75 12s, discount, £3 19s 9d
- No 40 Jan 17 Strong & Co, cash, £42 8s 8d, discount, £2 4s 8d
- No 41 Jan 22 Thomas Ison, for horse, £20

The cash takings were as follows —

	£	s	d
3 days ending Saturday, 3rd Jan	56	19	5
Week ending 10th Jan	141	4	7
Week ending 17th Jan	124	3	2
Week ending 24th Jan	119	3	9
Week ending 31st Jan	159	11	4

All cash received was paid into bank weekly on Monday

The counterfoil Cheque Book shows that the following cheques have been drawn —

Jan 2	Jas Harcourt, for quarter's rent, due 1st inst	£	s	d
		25	0	0
„ 10	Hey & Co., in settlement of a/c to Dec 31st, 1902	29	0	0
„ 15	Rose & Son, in settlement of a/c to Dec 31st, 1902	50	4	6
„ 16	Jos Sands, horse corn	3	4	0
„ 17	Wm Haigh, repairs	5	6	3
„ 20	N E Railway Co., carriage	20	6	4
„ 21	Jas Blake, roll top desk for office	13	6	8
„ 31	Wm Land, drawing	25	0	0
„ 31	Selves, salaries, and wages	32	3	6
„ 31	Selves, for Petty Cash Payments during the month, as below			

Summary —	£	s	d
Goods	5	9	8
Repairs	2	9	2
Carriage	3	14	2
Sundry expenses	6	11	10
Horse keep	1	3	2
		19	8 0

The value of the stock on 31st January was £1,178 15s

Close the books at 31st January, and prepare Profit and Loss Account and Balance Sheet

## R.

Make Journal entries of the following transactions of Colston Bros, Drysalers —

Received horse and van in exchange for goods, value £35

Sold goods to Marshall Bros, £50

Bought goods of Jesh Hirst & Sons, £80

Handed to Hirst cheque received from Marshall Bros, £47 10s, and allowed the latter discount, £2 10s

Sold to Hirst old machinery, £32 10s

## S.

During the week ending Saturday, April 25th, 1903, a newsagent buys *British Mercuries* (selling price  $\frac{1}{2}$ d) at the rate of  $4\frac{1}{2}$ d per dozen of 13, as follows—April 20th, 3 doz; 21st, 4 doz; 22nd, 4 doz; 23rd, 4 doz; 24th, 4 doz; 25th, 5 doz. The papers are disposed of as follows—20 customers each pay him  $4\frac{1}{2}$ d per week for one copy delivered daily. Newsboys buy 8 doz at  $4\frac{1}{2}$ d per doz of 12, 70 single copies are sold at  $\frac{1}{2}$ d, and 13 copies are returned to the publisher at cost price. Make a T-account for the week.

## T.

The following balances are taken out of the Ledgers of Pet Scott on 30th June, 1902 —

<i>Debtors, per Ledger —</i>	£	s	d
Sharp & Co	36	12	9
Heaton's Ltd	65	19	6
Biay & Sons	106	9	3
Brooke Bros	76	5	3
Lord & Co	378	12	9
<i>Creditors, per Ledger —</i>			
Kew & Co	23	5	6
Clive & Sons	89	3	3
Bayham Ltd	132	9	9
Forrest & Hill	65	17	6
<i>Other Balances —</i>			
Capital a/c	1,763	19	6
Property a/c	1,000	0	0
Horses, vans, and harness	65	3	6
Horse keep a/c	40	9	6
Wages a/c	594	3	3
Discount a/c (Dr )	27	10	6
Office expenses	116	13	3
Rates, taxes, and insurance a/c	79	3	6
Gas and water a/c	49	10	9
Repairs a/c	65	13	3
Machinery and plant	520	17	3
Fixtures and fittings a/c	85	9	9
Stock, Jan 1st, 1902, a/c	430	8	6
Rent received a/c	25	0	0
Sales a/c	3,463	19	6
Fuel a/c	85	3	6
Purchases a/c	1,819	16	3
Returns inwards a/c	89	3	9
Returns outwards a/c	43	6	6
Printing, stationery, and advertising a/c	34	14	9
Carriage a/c	40	11	6
Travelling expenses a/c	239	11	3

The Cash Book showed £445 10s 9d due to the Bank and £4 8s 9d in hand The stock on hand, 30th June, 1902, was £759 6s 3d  
 prepare Balance Sheet, 30th June, 1902, and Profit and Loss Account



# QUESTIONS

FROM THE

## VOLUNTARY EXAMINATIONS OF THE COUNTY COUNCIL OF THE WEST RIDING OF YORKSHIRE

1 — Explain what is meant by the—Balance of an Account, Credit Note, Post dated Cheque, Impersonal Account, state the particulars required to be shown upon an Invoice and upon a Receipt

2 - A Corn Merchant buys 100 quarters of Wheat at 30s per quarter, and pays carriage 6d per quarter. He also buys 60 quarters Wheat at 31s 6d delivered free. He sells 156 quarters at 32s (less 12s allowance), the remaining 4 quarters become damaged and worthless. Make out an Account showing the Profit or Loss

3 — Describe the method of entering and posting the Sales Day Book and give an example with full details of three transactions

4 —The Stationery Co Ltd, Royal Square, Darlington, sell the following goods to Marshall Bros, 125, Cross Street, Barnard Castle and the goods are invoiced daily 1902—April 7th, 2 reams of Foolscap at 16s 6d, April 7th, 10 lbs of Vellum Note at 8d April 7th, 4 doz Commercial Pens at 2s 6d a gross, April 9th, 6 bottles of Ebony Ink at 8d, April 18th, 250 Medium Envelopes, No 087, at 2s 4d per 100 April 21st, 1 Cash Book 5s 6d, 2 Ledgers at 6s 6d, April 29th,  $\frac{1}{2}$  ream absorbent Blotting at 12s 6d On April 10th Marshall Bros remit under 10s less than the amount owing to that date

Write out the Invoice of April 7th, and the Monthly Statement which would be sent to Marshall Bros on April 30th

5 —A Trader supplies Articles to customers "on approval for seven days" Describe a method of entering such transactions —

(1) When the Customer purchases the Article

(2) When the Customer returns the Article

6 —On 1st January, 1903, Emmanuel Goldman advances £200 to Rodney Stone at 10s per cent per month interest. The following transactions occur —Feb 1st, R S repays £50, March 1st, R S repays £80, April 1st, E G advances £100, May 1st, R S sells to E G goods value £60, June 1st, R S repays £40 On June 30th R S pays to E G a sum equal to the balance owing by him, after allowing 2½% Discount on the Goods sold interest, at the same rate as on the first item, is to be charged and allowed each item

7 --A Book keeper writes out the Invoices of Goods sold, enters total amount in the Customer's Account in the Ledger, and despatches the Invoice to the Customer (keeping a rough note of the particulars on loose sheets of paper) At the end of the week he writes up his Day Book

Suggest any improvement on this method, and give your reasons

8 --Describe fully three methods of dealing with Credit Purchases

9 - A Merchant buys Produce at £5 per ton, less 10% Discount The waste of Stock before selling is 5% At what price per cwt must he sell the Goods in order to show a profit of 20% on sale price?

10 --Enter in Journal the following transactions of a Quarry Owner

- Jan 1 Bought Stone Breaking Machine from Smith Bros, £150
- „ 5 Sold 2 old Wagons for Cash, £15
- „ 8 Gave Granite Slabs in exchange for Horse and Cart value £30
- „ 11 Received from Wadman & Co a Portable Engine worth £40 in settlement of a debt due from them
- „ 13 Gave Smith Bros Cash £30, Steam Boilers worth £50, and Stone value £70, in payment of amount owing

11 --Describe what is meant by Stock taking how often should this be done, and what is the object of it?

12 --A Tradesman wishes to keep his Accounts in a complete form from 1st July, 1902 At present he has a Book containing particulars of goods sold on credit, and when the Customer pays an account the entry in this book is crossed out No other books are kept He buys goods on credit, has a Banking Account, and files his invoices and debited accounts Describe the steps he should take to commence a proper system of Book keeping on 1st July, 1902

13 -- State the precise effect of the following errors in a set of books --

(a) Sold Day Book, over added £100

(b) Discount Column (Dr side of Cash Book) under added 10s

(c) Goods sold £181 6s, posted to Customer's Ledger account as £18 1s 6d

# VOLUNTARY EXAMINATIONS OF THE COUNTY COUNCIL OF THE WEST RIDING OF YORKSHIRE

## First Stage Examination Paper, 1905

(Time Allowed, 3 hours )

1 —Enter the following transactions of Arthur Earby in Cash B using columns for Discount, Office, and Bank) and show balance 1st January, 1905

Dec	31	Amount in Bank, £148 6s 9d , and in hand £5 16s 8d
Jan	2	Paid to Petty Cashier, £1
„	3	Received from Hall & Co , £4 15s , Discount 5s
„	7	Cash Sales, £46 18s 9d
„	7	Paid Wages, £4 3s 6d
„	7	Paid into Bank, £35
„	9	Paid Sharp Bros , by Cheque, £36, Discount £4
„	9	Paid Fire Insurance by Cheque, £3 15s
„	11	Received from Wilson & Son and Paid to Bank, £24 7s 6 Discount 12s 6d
„	14	Paid Wages, £3 18s 6d
„	14	Cash Sales, £42 3s 2d
„	14	Paid into Bank, £50
„	17	Received from R Jacobs & Co , £2 17s , Discount 3s
„	18	Paid Carter & Son, by Cheque, £117 10s , Discount £3 5s 6d
„	21	Cash Sales, £45 9s 1d
„	21	Paid Wages, £4 6s
„	21	Paid into Bank, £38
„	23	Paid Draper Bros , £8 15s , Discount 5s
„	23	Drew from Bank for Office, £10
„	24	Received from Benj Bates and paid to Bank, £33 5s , Discoun £1 15s
„	28	Paid Wages, £4 8s 6d
„	28	A Earby withdraws, by Cheque, for private expenses, £5
„	30	Paid into Bank, £34
„	30	Received from Mason & Co , £31 15s 6d

2 Two Customers, Thos Archer and Wm Booth, have dealings with Wilson & Co on the following terms --

Goods paid for within 1 calendar month	3 $\frac{3}{4}$ % discount
„ „ „ 3 „ months	2 $\frac{1}{2}$ % „

Prepare the Account as in Dawson & Co's Ledger

1904			£	s	d
Nov	11	Thos Archer buys Goods	22	15	
"	16	" returns Goods	2	15	
"	25	" buys Goods	18	19	
Dec	1	" pays Cash	19	5	
"	3	" buys Goods	26	13	1
"	9	" pays Cash	12	0	
"	15	" " " "	31	19	
"	23	Wm Booth buys Goods	40	0	
"	29	Thos Archer " "	45	10	
1905					
Jan	16	Wm Booth returns Goods	5	0	
"	18	Thos Archer buys Goods	12	4	
Feb	15	" " " "	19	5	
"	16	Wm Booth " "	20	0	
"	27	Thos Archer pays Cash	44	7	
Mar	14	" buys Goods	26	0	
"	31	Both customers pay the amounts owing by them			

3 A Sales Day Book contains the following -

1905

Jan 3 Jas Fairfax & Sons, Hull

	£	s	d	£	s	d
20 yds Black Cloth at 5s 3d	5	15	0			
3½ doz Windsor Lace at 9s doz	1	11	6			
15 Silk Wrappers at 3s 6d	3	12	6			
Box	0	1	6			
	<hr/>			13	0	6

After the Book is added up to the end of January it is discovered that there are errors in these figures. How should they be corrected? How should such errors be guarded against?

4 Explain the meaning of -

A Credit Sale,  
Posting,  
Returned Cheque,  
Balance Sheet,  
Profit

5 On which side in the Ledger would you expect to find a Balance Capital Account, Business Premises Account, Wages Account, Discount

## First Stage Examination Paper, 1906

(Time allowed, 3 hours )

1 William Heath commences business on 1st Jan , 1906, with Capital £50 His transactions are

Jan	1	Paid for goods bought this day, £15
"	2	Bought and paid for Hand cart, £2 10s
"	3	Bought goods of R Valley & Co , £13 10s
"	4	Bought goods of J Dale & Co , £26 10s 3d
"	5	Sold goods to J W Moore, £2 14s 6d
"	6	Sundry Cash Sales, £8 4s 2d
"	9	Bought goods of J Dale & Co , £14 10s 8d
"	9	Goods sold to T Hill & Son, £3 10s
"	10	Goods sold to J W Moore, £1 9s 3d
"	11	Bought goods of J W Moore, £4
"	13	Sundry Cash Sales, £7 12s 5d
"	16	Sold goods to Chas Fenn, 18s 6d
"	16	Sold goods to J W Moore, £2 6s 5d
"	17	Bought goods of J Dale & Co , £12 6s 4d
"	20	Sundry Cash Sales, £9 5s 4d
"	20	Paid R Valley & Co amount of their a/c less $2\frac{1}{2}\%$ Discount
"	20	Paid J Dale & Co £40, Discount £1 0s 11d
"	23	Sold goods to J Dale & Co , £1 5s
"	24	Sold goods to J W Moore, £1 4s 10d
"	26	J W Moore pays balance of a/c less Discount 3s 9d
"	27	Sundry Cash Sales, £8 9s 1d
"	31	Paid Rent £3 6s 8d , Wages £6 10s
"	31	W Heath withdraws Cash for private use, £3

Enter up the Bought and Sold Day Books, Cash Book, and Ledger and prepare Trial Balance 31st January, 1906

2 State (as fully as you can) the particulars which should appear in a entry in the Sales Day Book

Explain how the Bank Account may be kept, without its appearing a Ledger Account

3 A merchant has in stock at the end of his financial year 144 yard cloth which cost him 3s 4d per yard, less 5 % Discount The selling price is 4s 2d per yard, less  $2\frac{1}{2}\%$  Discount 12 yards of the cloth have been damaged and can be sold for 1s per yard At what sum should he value the cloth in his stock taking "

4 A Trader (who has kept no proper accounts) wishes to commence a Book of Books on 1st May, 1906 He has on that date Cash in Bank £100 Stock of Goods valued at £85, and Hy Swift owes him £10 The Trader owes to Carter Bros £5

State fully how he should proceed to open his Books and give the necessary entries

5 On 31st March, 1906, James Robinson's books give the following

### TRIAL BALANCE

	£	s	d	£	s
James Robinson, Capital a/c				326	5
Bank	153	5	8		
Goods a/c for Stock, 1st April, 1905	246	4	7		
Hicks & Co	56	9	2		
Purchases	1757	5	9		
Discount				24	5
Goodyear & Sons				82	9
Wages	322	1	8		
Household Expenses (J Robinson)	100	0	0		
Forrest & Co	3	5	4		
Rent, Rates, &c	56	9	7		
Carnshaw & Barnes				2	7
General Expenses	24	5	8		
Airstow & Cox	103	3	2		
Davidson				14	5
Travelling Expenses	26	4	3		
Charlesworth & Co				10	4
Legal Expenses	2	5	9		
Advertising	32	6	9		
Drawings				2423	8
	<u>£2583</u>	<u>7</u>	<u>4</u>	<u>2583</u>	<u>7</u>

On 31st March, 1906, £264 7s 4d

Prepare Profit and Loss Account and Balance Sheet

### First Stage Examination Paper, 1907

(Time Allowed, 3 hours)

1 On 1st March, 1907, Robert Kelly commences business with £600 as credit of his account at the County Bank. His transactions are

- 1 Bought goods from H. J. Jowett & Co., £158 10s 6d
- 2 Paid Cash for advertisements, £5
- 2 Drew cheque for Petty Cashier (to be accounted for), £10, and Office Cash, £40
- 2 Received from Lidgett & Sons a Horse, Cart, and Harness worth £35 in exchange for Goods £20 and Cash £15
- 4 Sold goods to J. & R. Campbell, £53 6s 8d
- 5 Drew Cheque for Warehouse Furniture, £120
- 5 Bought goods from Lidgett & Sons, £326 19s
- 7 Paid cash for Travelling Expenses, £8 10s
- 7 Received from J. & R. Campbell, cash, £52 allowed Discount £1 6s 8d
- 9 Paid Wages, £12 10s

Mar	11	Bought goods from H J. Jowett & Co , £36 14s 9d
,,	12	Paid Lidgett & Sons by cheque £320, Discount £6 19s
,,	12	Bought goods for cash, £85
,,	12	Drew out of Bank for office cash, £70
,,	13	Sold goods to J & R Campbell, £24 15s 8d
,,	14	Paid Cash for Telephone rental, £4 5s
,,	16	J & R Campbell pay amount owing by them less £1 4s Discount
,,	16	Paid Wages, £16
,,	16	Two Weeks' Cash Sales, £203 16s 5d
,,	18	Paid to Bank out of cash, £180
,,	19	Paid for Warehouse cleaning, £4 15s
,,	19	Sold goods to Lidgett & Sons, £16 14s 9d
,,	20,	Paid cheque to H J Jowett & Co , £185 10s , Discount £9 15s
,,	22	Bought goods from H J Jowett & Co , £65 3s 8d
,,	23	Paid Wages, £20
,,	27	Bought goods from H J Jowett & Co , £45 11s 3d
,,	27	Sold goods to Lidgett & Sons, £19 13s 3d
,,	30	Paid Wages, £20
,,	30	Cash Sales for 2 weeks, £298 6s 5d
,,	30	Cheque drawn for Petty Cashier's payments for month, £8, vi Goods £2 5s , Trade Expenses £5 15s
,,	30	Robert Kelly takes cash for private use, £50
,,	30	Paid to Bank out of cash, £250

Enter up in the proper Books, and prepare Trial Balance 30 March, 1907

2 Describe fully the process of balancing the Cash Book and Bar account When should this be done, and how often should the Cash be counted ?

3 A buys from B goods £51 18s 7d on 3rd Jan , 1907 At the end of February A discovers that B has charged (in this item) for  $10\frac{1}{2}$  yards Cloth at 3s 8d per yard, when the price should have been 3s 2d per yard , and on 14th Feb A sends back to B one piece of Worsted 72 yards, at 4s 8d per yard, as being of wrong shade , this is part of the goods bought on 3rd Jan as above Give the proper entries which A should make in his Book relating to these transactions

4 Explain the Ledger Index state how it may be specially arranged for speedy reference when the Ledger contains a very large number of accounts

5 What are vouchers ? Describe a good system of arranging them

# First Stage Examination Paper, 1908

(Time allowed, 3 hours)

1 Samuel Mason has Cash £100 on 1st Jan., 1908, he buys the business of Argyle Bros (see below) and opens an Account at the Bank paying in £80 His transactions are --

	£	s
1 Bought Stock from Argyle Bros	80	0
1 Bought Fixtures from Argyle Bros	23	0
2 Drew cheque Argyle Bros on a/c	75	0
3 Sold goods to Bartrum & Co	15	0
4 Paid Wages	3	6
4 Cash takings 1st to 4th	12	15
6 Paid deposit to Gas Company	2	0
7 Sold goods to Chas Cranford	3	9
9 Bought goods from D Dewar & Sons	36	5
11 Cash takings 6th to 11th	14	8
11 Paid Argyle Bros cheque £10 and cash £5	15	0
11 Sold goods to Argyle Bros	4	16
11 Paid Wages	3	12
13 Received cheque from Bartrum & Co and paid to Bank	14	10
13 Allowed discount to Bartrum & Co	0	10
14 C Cranford returns goods	1	19
15 Paid to Bank out of Cash	15	0
16 S Mason withdraws Cash for self	5	0
18 Cash takings 13th to 18th	16	10
18 Bought Hand cart for Cash	3	0
18 Paid Wages	3	12
20 Paid for Handbills printing and distributing	1	10
21 Drew cheque for D Dewar & Sons, £35, discount, £1 5s 8d		
21 Paid £16 to Bank out of Cash		
22 Sold to Eversley & Co, goods, £16 8s 9d, and Hand cart, £3 10s		
24 Bought goods from Ford & Son	20	19 3
25 Cash takings 20th to 25th	17	9 8
25 Bought New Counter for Cash	3	6 0
25 Paid Wages	3	12 0
27 Received from Eversley & Co £19 18s, discount 9d		
28 Paid Ford & Son cash on a/c	18	0 0
29 Paid Argyle Bros cash £3, cheque £5 discount 3s 4d		
30 Sold goods to Argyle Bros	8	12 6
31 Sold goods to Bartrum & Co	25	9 2
31 Cash takings 29th to 31st	18	12 5
31 Bought goods from Ford & Son	16	14 9



2 If the following questions were put to you by a Merchant in office where the books are kept on the Double Entry System, how would you proceed to find the information required?

a What was the price of an article purchased by me from Asquith and Sons in the early part of last year?

b How much do Halliday & Co owe me to day?

c How much money is there in the Bank now?

d What are the total Sales from 1st Jan., 1908, up to to day?

3 What entries would you make in your books to record the following transactions?

a James Wing wishing to make a remittance, and having no Banking a/c of his own, gives you £10 in gold for which you give him a cheque on your Banking a/c for £10

b Cashed a cheque for £5 for James Wing

c Sent James Wing £20 worth of goods on approval

d James Wing returns goods sent on approval to value of £14 repaying £6 worth

4 The Petty Cash Book is kept on the Imprest System and has analysis columns for "Goods," "Sundry Expenses," "Carriage," "Stationery and Postage," and "Travelling Expenses."

Enter up in the Petty Cash Book the following payments for March 1908 - 2nd Window Cleaner 2/0 4th, Stamps £1 5th, Car Fares 4½d 6th, Caretaker 5/- 9th, Large Envelopes 1/- 10th, Expenses to Manchester 7/3 11th, Newspapers 3/-, Copy letter book 7/6 13th, Telephone Trunk calls for February 5/9 17th, Telegram 9½d 20th, Railway Guide 1d 21st, Stamps 10/-, Goods 6/11 23rd, Great Northern Railway a/c 15/6 24th, Firewood 3/- 25th, Car Fares 7d 26th, Carrier 2/2 27th, Expenses Liverpool 10/5 28th, Advertisement for Clerk 1/6 30th, Bottle of Ink 3/-, Goods 14/9 31st, Parcel Express Co 11/9

The Petty Cashier keeps a float of £10 and is reimbursed on April 1st by cheque for his payments during March. What records should be made

a The float?

b The cheque for payments during March?

# First Stage Evening School Certificate Examination Paper, 1908

(Time allowed, 2 hours.)

1. Journalise the following transactions of Henry West

6th March, 1908

	£	s	d
Bought goods from Barrett & Co	20	11	9
Received cash from F. Hartop & Sons Ltd	15	2	4
Paid Wages	19	6	6
Sold goods to Wade Bros	49	1	5
Bought goods for cash	129	1	2
Received cheque from James Somers	59	0	1
and allowed him discount	1	9	2
Paid Plumber cash for Repairs	3	2	6
Sold Brown Horse to C. Green for cash	26	0	0
Bought a Cash Book from Jowett & Co	0	12	6
Withdrew cash for private use	10	0	0

What is the meaning of the word 'goods' as used in this question?

2. Enter up in the Cash Book the following transactions of Joseph Teath -

1908

March	2	Cash in hand	£79 2s 3d
"	4	Paid to Bank	£65 0s 0d
"	5	Received from Williams & Son, cash	£19 14s 9d, allowed discount 18s 3d
"	9	Paid to John Tannett, cash	£25 8s 9d, received discount £1 6s 9d
"	12	Paid Rent by cheque	£10 0s 0d
"	16	Sold goods for cash	£21 6s 9d
"	17	Paid cash to Bank	£20 0s 0d
"	21	Received from Williams & Son, cheque	£39 2s 4d, allowed discount £2 1s 2d
"	24	Paid Expenses	£2 4s 9d
"	25	Drew out of Bank	£20 0s 0d
"	26	Bought goods for cash	£10 11s 6d
"	28	Paid to Bank	£40 0s 0d
"	31	Paid John Tannett by cheque	£35 11s 1d, received discount 18s 9d

Balance off the Cash Book at 31st March, 1908, and bring down the balances

3 Enter up in the Sales Day Book and Purchases Day Book the following transactions of Joseph Heath —

1908

- March 2 Sold to Williams & Son, London, 22 doz Oval Boxes  
10s 6d per doz, 13 gross Square Boxes @ 1s 2d 1  
doz, to Barking Station per G N R
- March 7 Bought from John Tannett, Cardiff, 42 boxes of I C's  
12s 9d each (f o b Wales)
- „ 18 Sold to Williams & Son, London, 60 doz Oblong Boxes  
15s per doz ex Hull depot, per Wilsons
- „ 24 Bought from John Tannett, 80 Boxes of I C's @ 12s 6d each  
(f o b Wales)

4 From the books you have entered up in answer to questions 2 and 3 enter into the Ledger Williams & Son's a/c and John Tannett's a/c, bringing up the balance of each a/c at 31st March, 1908

5 What is meant by

(a) Credit Note

(b) Petty Cash

(c) Taking out Trial Balance

6 Why does a Merchant have a Banking a/c? What are its advantages and how does it affect the Book-keeping?

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# REFERENCE

